

1
2 UNITED STATES DISTRICT COURT
3 SOUTHERN DISTRICT OF NEW YORK
4 CASE NO.: 08 CIV 5646

5 -----x
6 JOHN L. EDMONDS, Individually and as a
7 managing general partner of FIFTH AND 106TH
8 STREET HOUSING COMPANY, INC., LOGAN PLAZA
9 ASSOCIATES, LP, CHARLES H. ASSOCIATES a/k/a
10 CHARLES H. HILL ASSOCIATES, LP and as a
11 limited partner of CHURCH HOME ASSOCIATES, LP,

12 Plaintiffs,

13 -against-

14 ROBERT W. SEAVEY, Individually and as a general
15 partner of FIFTH AND 106TH STREET ASSOCIATES, LP,
16 LOGAN PLAZA ASSOCIATES, LP, CHARLES HILL
17 ASSOCIATES, CHARLES HILL ASSOCIATES, LP and as a
18 limited partner of CHURCH HOME ASSOCIATES, LP;
19 PHYLLIS M. SEAVEY, individually and as owner,
20 manager and member of DALTON MANAGEMENT and
21 member of DALTON MANAGEMENT COMPANY, LLC; AVERY
22 B. SEAVEY, individually and as a general partner
23 of LOGAN PLAZA ASSOCIATES, LP, CHURCH HOME
24 ASSOCIATES and owner of DALTON MANAGEMENT
25 COMPANY, LLC; NEALE B. SEAVEY, individually and
as owner, manager and member of DALTON MANAGEMENT
COMPANY, LLC; and RONALD DAWLEY as chief
executive officer of DALTON MANAGEMENT COMPANY,
LLC; DALTON MANAGEMENT COMPANY, LLC, THE SEAVEY
ORGANIZATION, and MARK PANETH & SHRON, Auditors,

Defendants.

26 -----x
27 DEPOSITION of JOHN EDWARDS
28 APRIL 17, 2009

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DEPOSITION of JOHN EDWARDS,
taken by Defendants, held at the offices of
Herrick, Feinstein, LLP, 2 Park Avenue, New York,
New York, on April 17, 2009, commencing at
10:00 a.m., before Eileen Mulvenna, CSR/RMR,
Certified Shorthand Reporter, Registered Merit
Reporter and Notary Public of the State of New
York.

IT IS HEREBY STIPULATED AND AGREED,
by and between the attorneys for the respective
parties herein, that filing and sealing be and
the same are hereby waived.

IT IS FURTHER STIPULATED AND AGREED
that all objections, except as to the form of the
question, shall be reserved to the time
of the trial.

IT IS FURTHER STIPULATED AND AGREED
that the within deposition may be signed and
sworn to before any officer authorized to
administer an oath, with the same force and
effect as if signed and sworn to before the
officer before whom the within deposition was
taken.

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APPEARANCES:

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ALSO PRESENT:

Robert Seavey
Phyllis Seavey

John Edmonds

JOHN EDMONDS,
having been duly sworn by Eileen Mulvenna,
a Notary Public of the State of New York,
was examined and testified as follows:

EXAMINATION

BY MR. TRAUB:

Q. State your name and address for the
record, please.

A. John L. Edmonds, E-D-M-O-N-D-S,
187-20 Grand Central Parkway, Jamaica, New York.
11432 is the zip.

MR. TRAUB: This deposition is being
taken pursuant to notice and agreement of
counsel and will be used for the purpose of
cross-examination at trial and all other
uses in accordance with the Federal Rules
of Civil Procedure.

BY MR. TRAUB:

Q. Mr. Edmonds, good morning.

A. Good morning.

Q. We've met several times.

A. That's correct.

Q. It's nice to see you again.

I just want to let you know, I know

2 (Pages 2 to 5)

<p>1 John Edmonds 2 you've had your deposition taken before and I'm 3 sure you've even taken a few depositions. This 4 will be similar to any deposition that you've 5 seen or that you've taken in that we have a court 6 reporter here. 7 And, obviously, she can only take 8 down what is stated orally. So what I would ask 9 is that you allow me to ask my questions to you 10 and let me finish. And then a response, if you 11 could give an oral answer. Obviously, a head nod 12 yes or a head nod no can't be taken down. 13 And I'll give you the same courtesy 14 of allowing you to finish your complete answer 15 before talking back over so that the court 16 reporter doesn't have us talking over each other. 17 A. Very good. 18 Q. Also, if you need a break at any 19 time, obviously, please feel free to do so. I 20 just ask that you allow me to finish any question 21 that's pending and for you to give a complete 22 answer to any pending question before we take 23 such a break. 24 A. Very good. 25 Q. We do have coffee and water behind</p>	<p>6 1 John Edmonds 2 With the investment in the city of 3 Newark, New Jersey, can you describe for me the 4 actual property. 5 A. Yes. The property was located 6 almost against Elizabeth, New Jersey. The back 7 end of the property ends up in Elizabeth. It was 8 across the street from a public golf facility 9 there for the people that live in that community. 10 It's quite a nice community. 11 Q. Was it a vacant piece of property? 12 A. Yes, it was. 13 Q. Who was your partner, if any, in 14 that investment, that city of Newark? 15 MR. HAYWOODE: Object to the 16 relevance. 17 Now the witness may answer. 18 A. I had an arrangement with three or 19 four people. Rod Shaw, who is an engineer of 20 some 30 or 40 years. I've forgotten this 21 fellow's name now, but at any rate, the 22 arrangement was a very elemental one. It was a 23 part of the kind of thing that I do frequently, 24 and that is to say that I involve them to the 25 extent that they were partners, and they each got</p>
<p>7 1 John Edmonds 2 you as well, so if at any time, please turn 3 around and help yourself. 4 Can you describe for me all of your 5 real estate investments that you currently have. 6 A. Fifth and 106th Street. 7 Q. And that's the one that's in this 8 deposition -- or that's in this case known as 9 Lakeview? 10 A. Lakeview. 11 Charles Hill. Church Home. And 12 Logan Plaza. I think they comprise perhaps 952 13 units. 14 Q. Are there any other real estate 15 investments that you're currently in other than 16 the four partnerships at issue in this action? 17 A. Not at the present time. 18 Q. In the past ten years, have you been 19 involved in any other real estate investments? 20 A. Yes, I have. 21 Q. In which real estate investments 22 were those? 23 A. Those were investments in the city 24 of Newark, New Jersey. 25 Q. We'll take these one at a time.</p>	<p>9 1 John Edmonds 2 a percentage of the amounts to be made. 3 Q. Were you the managing general 4 partner? 5 A. Managing general partner, that's 6 correct. 7 Q. And what percentage ownership did 8 you have in that partnership? 9 A. I believe I kept somewhere between 10 68 and 75 percent. 11 Q. And the other remaining 32 to 12 25 percent was split between the other three 13 partners? 14 A. Yes, that's correct. And of course, 15 the budget included a fee for Rod Shaw because he 16 was the person to be on the site to assist in the 17 management of that project. 18 Q. What did the project actually 19 consist of? 20 A. It consisted of -- I believe it was 21 116 units of housing under a HUD program that 22 would have given the public housing residents an 23 opportunity to own their own unit in a 24 condominium fashion. 25 Q. I guess I'm a little confused.</p>

3 (Pages 6 to 9)

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12

1 John Edmonds
 2 Because earlier when I asked, you said it was a
 3 vacant piece of land.
 4 A. It was vacant as of the time that we
 5 started the construction, yes.
 6 Q. And then you actually built a
 7 116-family apartment building --
 8 A. We finished -- we finished
 9 two-thirds of the project.
 10 Q. And then what happened with the
 11 project?
 12 A. The City of Newark called me in,
 13 Harold Lucas, who was then the executive director
 14 of the Newark Housing Authority and had been, in
 15 the Clinton administration, the deputy assistant
 16 commissioner for public housing. And in that
 17 role, he made certain that his old city would get
 18 a good part of those funds, and they did.
 19 Q. So did you sell the property then to
 20 the City of Newark; is that --
 21 A. I was put off the property. What
 22 happened was that I had a state senator there who
 23 was a partner of the contractor, the builder,
 24 that was a local builder there on the site. And
 25 he was a vice president of -- the contractor's

11

1 John Edmonds
 2 name was Tony Gomes. He was a vice president of
 3 Tony Gomes' construction company, a state senator
 4 and a deputy mayor, I believe.
 5 And they called me in on an occasion
 6 before their board and indicated to me that they
 7 desired to have Mr. Gomes complete the project
 8 without the further participation of the Edmonds
 9 group. And incidentally, I had Phyllis over
 10 there on one occasion to discuss --
 11 MR. HAYWOOD: Indicating
 12 Mrs. Seavey, who is with us today.
 13 A. -- to discuss the management
 14 capability of her company, Dalton Management.
 15 And that was for the reason that if the place was
 16 to become a condominium for the tenants, then
 17 they would have to have a managing agent there.
 18 Q. So that you were considering then
 19 Dalton Management as a management group for this
 20 project?
 21 A. That's correct.
 22 Q. You said that the Edmonds group
 23 was -- believe me, I apologize if I get the term
 24 wrong -- was put out of the project by the City
 25 of Newark.

1 John Edmonds
 2 When you say "the Edmonds group,"
 3 you're talking about yourself and your three
 4 partners; is that correct?
 5 A. Yes.
 6 Q. Was it taken from you through a
 7 condemnation?
 8 A. No.
 9 Q. Was there --
 10 A. By a direction of the mayor of the
 11 City of Newark.
 12 Q. So there was no lawsuit?
 13 A. No lawsuit.
 14 Q. Did you get paid for --
 15 A. I got paid for the percentage of
 16 completion, yes. And I'll tell you that I had
 17 several meetings with the board of the Housing
 18 Authority, which consisted mainly of tenants,
 19 their counsel, the executive director and this
 20 state senator, who represented the mayor at the
 21 meetings, and --
 22 Q. Not to interrupt you.
 23 Is this the City of Newark Housing
 24 Authority? Is that --
 25 A. Yes, the City of Newark Housing

13

1 John Edmonds
 2 Authority.
 3 And the first meeting I had with
 4 them, they asked me what was the total amount of
 5 completion of the project. And I indicated to
 6 them that it was about three-quarters completed,
 7 two-thirds to three-quarters. And they asked me
 8 how much of a fee I was expecting. And I told
 9 them \$1.4 million, which would be the fee that we
 10 had -- that I earned for three-quarters of
 11 completion.
 12 Q. At that time, were there any tenants
 13 that were in the property?
 14 A. As far as I can recall, no, no
 15 tenants at that time, because it was not
 16 completed.
 17 Q. Okay. So this isn't a project that
 18 was completed in phases; in other words, there
 19 was one building completed, tenants moved in. It
 20 was supposed to all be completed before tenants
 21 moved in?
 22 A. That's correct.
 23 Q. Okay.
 24 A. And after having a couple of
 25 meetings with them, they told me that they could

4 (Pages 10 to 13)

14

16

1 John Edmonds
2 only pay \$1.2 million for the services of the
3 Edmonds group. And so I recognized that I was in
4 a very difficult position, with the mayor opposed
5 to me and so forth and so on, so I accepted that
6 and we left the job.
7 Q. You said that you were expecting
8 around about \$1.4 million for the project. Was
9 this the fee that you would obtain if you had
10 sold the project upon completion?
11 A. No, I think we were looking for a
12 fee of approximately \$2 million.
13 Q. Is that for selling the project upon
14 completion?
15 A. Yes, that's correct.
16 Q. So you never planned to actually run
17 this project, then?
18 A. No. I -- I was looking really at
19 that time as to whether or not Dalton Management
20 Company could -- could be the manager of that
21 project once it was completed.
22 Q. When you say "at that time," about
23 what year were you considering Dalton Management
24 Company to be the management company of --
25 A. I think this began in 1996, I

1 John Edmonds
2 I had to hire the wrong group of lawyers.
3 And so the judge told me, on an
4 examination that was being conducted by myself
5 and the lawyer that I had retained on Benny
6 Thompson, that Benny Thompson committed some
7 perjury statements. And the judge says, Well, I
8 think that Mr. Thompson is senile. So,
9 Mr. Edmonds, I don't think I will permit this to
10 go further. I'm going to award the lawyers here
11 their fees and that should end this litigation.
12 Q. When you say "an examination," is
13 this a cross-examination at trial or was this an
14 examination before trial?
15 A. Cross-examination at trial.
16 Q. And so then at the end of the trial,
17 the judge dismissed your lawsuit; is that
18 correct?
19 A. That's correct.
20 Q. Are there any other properties that
21 you have owned other than in the last ten years,
22 other than the five real estate projects you've
23 named so far?
24 A. Yes, I made -- I made an approach to
25 the -- to the housing authority in North

15

17

1 John Edmonds
2 believe. And I finally finished with them I
3 think in 2002, from the point of the lawsuit and
4 so forth and so on. Because I brought a lawsuit
5 in the Superior Court in Newark, New Jersey.
6 Q. Against the City of Newark?
7 A. Yes, against the City of Newark and
8 against also the young man that I had selected to
9 be an architect. His name was Ben Thompson, I
10 believe. Benny Thompson.
11 Q. You were the plaintiff in that
12 lawsuit?
13 A. Yes.
14 Q. And at what point did you sell,
15 finally for \$1.2 million, the property to the
16 City of Newark?
17 A. I guess it must have been about
18 2000, about then.
19 Q. What was the outcome of the lawsuit
20 that you had filed?
21 A. The outcome was that the judge -- I
22 realized, after I had retained these attorneys,
23 et cetera, that this was a part of a relationship
24 between the courts and these lawyers and so forth
25 and so on, they had good political contact, that

1 John Edmonds
2 Carolina, to -- I can't think of the name of that
3 city now.
4 MR. HAYWOODE: Durham?
5 THE WITNESS: Durham, North
6 Carolina, that's correct.
7 A. And the approach was similar to the
8 one that I had used in Newark where -- this
9 acreage that I had there, about 15 acres, which
10 was very close to a school, North Carolina
11 College, was that this site could be used for
12 students, graduate students, et cetera.
13 And we were going to build type of
14 housing that was beginning to be very popular
15 down there, three-story buildings. Something
16 that Seavey and I did in the last job we did
17 here, that type, which was the -- we did a job
18 here for the -- for the Harlem River Development
19 Corporation on Eighth Avenue, 138th Street.
20 Q. Not to interrupt you, but when you
21 say "we," who is the we --
22 A. I'm talking about Bob and I --
23 Q. I'm talking about the one in Durham,
24 North Carolina.
25 A. I owned the site. I brought my team

5 (Pages 14 to 17)

18

20

1 John Edmonds
2 down. Team consisted of Hal Harris, young
3 engineer by the name of Phil -- Philip Zerbrisky
4 [ph], of course, Rod Shaw and myself. And we
5 made this proposal.

6 And once again, it was one of those
7 situations in which the board consisted of the
8 presidents of the public housing authority. And
9 they had the executive director and counsel. And
10 the lawyer there was a gentleman by the name of
11 Banks, again, very involved in the politics of
12 Durham.

13 Q. Whose lawyer was Banks? For the
14 City?

15 A. For the City.

16 Q. And going back a step further, you
17 had described it was yourself, Hal Harris, Philip
18 Zerbrisky and Rod Shaw. Were you the managing
19 general partner of this property as well?

20 A. Yes.

21 Q. What was your ownership interest?

22 A. Probably about the same. I made the
23 same arrangement I attempted to arrange in
24 Newark, New Jersey.

25 Q. About 68 to 75 percent?

1 John Edmonds
2 for his daughter and to go on vacations,
3 et cetera, with federal funds. And that's the
4 reason they were fired.

5 Now, when I appeared in court, I
6 indicated to the judge that I was not a member of
7 the North Carolina bar. And he asked me whether
8 I intended to request of him a special permission
9 to appear. And I told him no.

10 Q. Was that a pro hac vice application?

11 A. Yes, it would have been.

12 Q. I guess I'm a little bit lost. When
13 you say you appeared in front of the judge, was
14 there a lawsuit involved?

15 A. Yes, there was a lawsuit that I
16 brought, I think I brought this lawsuit, in order
17 that I might be able to go forward and do the
18 development in accordance with my original plan.

19 Q. Who did you sue in this lawsuit?

20 A. The housing authority there in
21 Durham.

22 Q. Were there any other defendants
23 other than the housing authority?

24 A. I think that the individuals -- the
25 executive director was I believe one of the

19

21

1 John Edmonds
2 A. Yes.
3 Q. Did you actually end up acquiring
4 any property with respect to this partnership?
5 A. No. What occurred was that the
6 executive director and counsel had formed a
7 not-for-profit. And that not-for-profit was to
8 be their development arm. And they were using
9 this as a way of siphoning the federal funds off
10 of the project. And what happened was that the
11 feds came in, federal -- FHA's office was in
12 Greensboro, and fired all of them.

13 Q. When you say "all of them," you're
14 talking about the City housing --

15 A. Yes, the --

16 Q. -- development?

17 A. -- the executive director, he fired
18 them -- fired the executive director and he fired
19 the deputy executive director, a female, who was
20 an architect.

21 Q. Fired them from their job or fired
22 them off of this project?

23 A. Fired them from their job.

24 Apparently the executive director
25 had used some of the funds to buy a diamond ring

1 John Edmonds
2 defendants, yeah.

3 Q. In what year was this lawsuit filed
4 in?

5 A. It must have been in about 2000,
6 2002. I don't recall the exact time.

7 Q. And that was in state court of North
8 Carolina?

9 A. Yes, Durham, North Carolina.

10 MR. HAYWOOD: Darren, note my
11 continuing objection to this entire line of
12 questioning as to its relevancy.

13 The witness may answer.

14 Q. And what was the outcome of that
15 lawsuit?

16 A. The City -- I mean, the court
17 dismissed my lawsuit because he said that -- the
18 judge said that the Edmonds group was an LLC and,
19 as such, was required to have local counsel to
20 represent them. And I had enough of the
21 relationships between local counsel and the --
22 and the courts in these states and so I didn't go
23 forward.

24 Q. Had you tried to obtain local
25 counsel for that lawsuit?

6 (Pages 18 to 21)

22

1 John Edmonds
 2 A. No.
 3 Q. Are there any other real estate
 4 investments that you've owned in the last ten
 5 years?
 6 A. No, none. Just this year I started
 7 a negotiation with the housing authority of North
 8 Charleston, South Carolina. Again the same
 9 approach. It is a proposal to build
 10 condominium-type apartments for public housing
 11 residents.
 12 Q. Going back real quick to the Durham,
 13 North Carolina project that you were considering,
 14 had you discussed this project with Dalton
 15 Management Company?
 16 A. I don't think I did, no.
 17 Q. Who are your partners in the North
 18 Charleston, South Carolina matters, if anyone?
 19 A. I was going to use, obviously, Rog
 20 and myself. And I was going to bring in my CPA,
 21 who's actually in Greensboro, North Carolina,
 22 Rudolph Clark, to be on the spot and be able to
 23 keep up with things for me.
 24 Q. Is that your personal CPA?
 25 A. Yes.

23

1 John Edmonds
 2 Q. Or a corporate CPA?
 3 A. A personal CPA.
 4 Q. Had you established a partnership or
 5 LLC or any other entity with regard to this North
 6 Charleston, South Carolina --
 7 A. No, I had not. I realized, after
 8 having a discussion with the lawyer who called me
 9 from -- on two or three occasions, that I might
 10 be stepping into the same kind of situation that
 11 I was in before. And so I just indicated to this
 12 lawyer that I didn't think that we wanted to go
 13 forward.
 14 Q. Is that currently moving forward?
 15 A. No, it is not going forward now.
 16 Q. Is that it then for your real estate
 17 investments in the last ten years?
 18 A. Yes.
 19 Q. Other than stocks, bonds, mutual
 20 funds, secured instruments, CDs, bank accounts,
 21 do you have any non-real estate investments that
 22 you're involved in currently?
 23 A. The only investments that I would
 24 have would have been -- would be the investments
 25 that are managed and controlled by Dalton

24

1 John Edmonds
 2 Management Company and Bob Seavey.
 3 Q. What about in the last ten years;
 4 did you have any other non-real estate
 5 investments?
 6 MR. HAYWOOD: Objection to the
 7 relevance.
 8 The witness may answer.
 9 A. I can't think of any.
 10 Q. Were you involved with a radio
 11 station?
 12 A. Oh, with -- yes, with -- Inner City
 13 Broadcasting.
 14 Q. Inner City Broadcasting?
 15 A. Yes. I was vice chairman and then
 16 general counsel, and then I ended up suing the
 17 company.
 18 Q. Did you have partners -- let me ask,
 19 was Inner City Broadcasting a partnership or --
 20 A. No, that's a corporation controlled
 21 by Percy Sutton.
 22 Q. Was he the majority shareholder in
 23 that corporation?
 24 A. Well, what Percy did was to form
 25 another LLC, transferred all the assets from the

25

1 John Edmonds
 2 original corporation to that LLC, and made his
 3 son the chairman of the new LLC, and had -- had
 4 the board -- basically people identified with
 5 Percy in the political circle in Harlem had the
 6 board to approve that.
 7 And I objected to this. And many of
 8 the members on the board would tell me after
 9 meetings that they agreed with me, that I was
 10 right and so forth and so on; but none of them,
 11 except one, the president, a young man by the
 12 name of David Lantell, was willing to join me in
 13 my lawsuit.
 14 Q. How many members of the board were
 15 there?
 16 A. I don't recall, but there were some
 17 rather prominent people there. Hal Jackson was a
 18 vice chairman and -- Hal must be a hundred years
 19 old today, but he still works -- he has, I think,
 20 a Sunday morning jazz program on BLS.
 21 Q. Would you say there's more than five
 22 members on the board?
 23 A. Yes.
 24 Q. More than ten?
 25 A. I think -- yes, more than ten at

7 (Pages 22 to 25)

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26

28

1 John Edmonds
2 that time.
3 And also John Procope was on that
4 board. He's now deceased. And John was back and
5 forth. First he was going to join me and then he
6 didn't. Then he was trying to make some
7 arrangement with me, he and Carl McCall, that
8 would bring us together, that is to be able to
9 negotiate with Percy.

10 And what happened was, I realized
11 after we had several meetings that these guys
12 didn't intend to force a return of the corporate
13 assets to the corporation, but they just wanted
14 to see whether or not they could make some
15 arrangement that would satisfy me and satisfy
16 Sutton.

17 Q. What was your ownership interest in
18 the Inner City Broadcasting?

19 A. I would say -- I think I owned
20 somewhere between maybe -- maybe 20 percent. I
21 don't remember the interest.

22 Q. Were you the sole plaintiff in your
23 lawsuit?

24 A. No.

25 Q. Who was --

1 John Edmonds
2 LLC that Sutton had formed, and left the -- the
3 original company a shell company.

4 Q. Was that lawsuit filed in state
5 court or federal court?

6 A. State court, state Supreme Court
7 here in New York County.

8 Q. When was that lawsuit filed?

9 A. I think that was in '95 or '96.

10 Q. What was the outcome of that
11 lawsuit?

12 A. We won an award from the court based
13 upon an offer made by Sutton after Pepe, his son,
14 had obviously committed perjury in his testimony.

15 Q. When you say "his testimony," at a
16 lawsuit or in a deposition?

17 A. At the lawsuit, during
18 cross-examination.

19 Q. So it actually went to trial then?

20 A. Yes, it did.

21 Q. And when you said during an offer,
22 was it a settlement that was approved by the
23 court?

24 A. Yes.

25 Q. So it wasn't an actual verdict then?

27

29

1 John Edmonds
2 A. I was joined by the young man who
3 was then the president, David Lantell. We ended
4 up with 18 percent of the ownership in this
5 lawsuit.

6 Q. Combined between the two of you?

7 A. Combined between the two of us.

8 Q. Who are the defendants in that
9 lawsuit?

10 A. Sutton and his son. And I may have
11 named a couple of the other members. I think
12 Dr. Watkins. It was -- he was a very well-known
13 physician, medical person here in the Harlem
14 community.

15 Q. Was he another member of the board?

16 A. Yes, he was.

17 Q. Were you represented by counsel in
18 that lawsuit, or did you file that lawsuit on
19 your own?

20 A. I was represented by counsel.

21 Q. What was the basis of that lawsuit?

22 A. The basis of the lawsuit was the
23 assets owned by the Inner City Broadcasting
24 Corporation had been transferred, that is all of
25 the properties, et cetera, to this newly created

1 John Edmonds

2 A. No.

3 Q. It was --

4 A. No.

5 Q. It was a settlement --

6 A. Yes.

7 Q. -- approved by the court?

8 A. Yes, it was. What happened was that
9 the judge asked me what would be the value of
10 your interest at this time in the corporation.
11 And I told her it was probably about \$6 million.
12 And she then had Sutton to go into her study, the
13 back.

14 And then when he came out, she
15 called myself and my counsel in and said, Look,
16 Mr. Sutton is willing to pay \$5.9 million, and I
17 would urge you to accept it rather than continue
18 to go forward.

19 And I said, Fine.

20 Q. Can you think of any other non-real
21 estate investments similar to the radio station
22 that you've been involved in?

23 A. Yes, Amsterdam News. I was a
24 principal holder of the interest in the Amsterdam
25 News. We purchased it. That was Sutton, myself,

8 (Pages 26 to 29)

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<p>30</p> <p>1 John Edmonds</p> <p>2 John Procope, Carl McCall, Clarence Jones, Bill</p> <p>3 Tatum.</p> <p>4 Q. Was the Amsterdam News a partnership</p> <p>5 or an entity?</p> <p>6 A. It was a corporation.</p> <p>7 Q. And so what was your shareholder --</p> <p>8 what was your stock percentage ownership of</p> <p>9 Amsterdam News?</p> <p>10 A. After we got going, Percy wanted</p> <p>11 out, so we bought him out. And we ended up with</p> <p>12 three owners; Edmonds, Tatum and Procope. And I</p> <p>13 would say I owned 40 percent of the company.</p> <p>14 Made me the principal. And we had a shareholders</p> <p>15 agreement.</p> <p>16 Q. Were you the managing shareholder?</p> <p>17 A. I was the chairman of the</p> <p>18 corporation.</p> <p>19 Q. Okay.</p> <p>20 A. This matter was tried once again in</p> <p>21 the Supreme Court in New York County.</p> <p>22 Q. I hate to interrupt, but when you</p> <p>23 say "this matter," was there a lawsuit that was</p> <p>24 brought in connection with Amsterdam News?</p> <p>25 A. Yes, that's correct.</p>	<p>32</p> <p>1 John Edmonds</p> <p>2 And this matter was -- went before a</p> <p>3 judge there, who was obviously friendly to them.</p> <p>4 And he made a ruling that -- citing the Agora</p> <p>5 case, if you remember that case. He said, yes,</p> <p>6 you have a right under this ruling.</p> <p>7 And I think the jury went out and</p> <p>8 took about five minutes to come back with an</p> <p>9 award for me of the amounts of monies that Tatum</p> <p>10 had been taking under the table from the company.</p> <p>11 And then the judge said that the</p> <p>12 issue of the control of the corporation is one of</p> <p>13 law. And I decided that, in view of the fact</p> <p>14 that Mr. Tatum has been the editor and the</p> <p>15 managing person there, actively every day, that</p> <p>16 he should continue to own the newspaper.</p> <p>17 Q. So this lawsuit went to trial as</p> <p>18 well?</p> <p>19 A. Yes.</p> <p>20 Q. Did the judge overturn the jury's</p> <p>21 verdict? Is that --</p> <p>22 A. No, he did not. He kept the jury's</p> <p>23 verdict to the extent of the award -- the money</p> <p>24 award. But he took the position that the -- that</p> <p>25 the right to the controlling interest would go to</p>
<p>31</p> <p>1 John Edmonds</p> <p>2 Q. Who was the plaintiff in this</p> <p>3 lawsuit?</p> <p>4 A. I was.</p> <p>5 Q. Was there anyone else who was a</p> <p>6 plaintiff with you?</p> <p>7 A. No.</p> <p>8 Q. And who were the defendants in that</p> <p>9 lawsuit?</p> <p>10 A. It was Procope and Tatum.</p> <p>11 Q. Those were the other -- your other</p> <p>12 partners?</p> <p>13 A. Two, yes.</p> <p>14 Q. Did you file the lawsuit on your own</p> <p>15 behalf or did an attorney file it for you?</p> <p>16 A. I was represented by counsel.</p> <p>17 Q. Was this in state court or federal</p> <p>18 court?</p> <p>19 A. State court.</p> <p>20 Q. What was the basis of your lawsuit?</p> <p>21 A. That the -- that the shareholders</p> <p>22 agreement gave me the right to purchase the</p> <p>23 controlling interest of the corporation. And</p> <p>24 Tatum was represented by Victor Kovner at that</p> <p>25 time. Kovner had been a partner of Ed Koch.</p>	<p>33</p> <p>1 John Edmonds</p> <p>2 Tatum.</p> <p>3 Q. Are there any other non-real estate</p> <p>4 investments besides the radio station and</p> <p>5 Amsterdam News that you can think of?</p> <p>6 A. None at the moment.</p> <p>7 Q. Are you a partner in any company</p> <p>8 that has served as a vendor for any of the four</p> <p>9 partnerships or buildings in issue in this</p> <p>10 lawsuit?</p> <p>11 A. None that I know of.</p> <p>12 Q. Have you received any money as a</p> <p>13 referral fee from any vendor which has provided</p> <p>14 services to any of the partnerships or buildings</p> <p>15 in this lawsuit?</p> <p>16 A. No. I don't -- I don't deal with --</p> <p>17 if the vendor is a local person from the Harlem</p> <p>18 community, I try to give him as much business as</p> <p>19 I possibly can in whatever situation I find</p> <p>20 myself.</p> <p>21 Q. Can you give me an example of a</p> <p>22 local businessman in Harlem that you've</p> <p>23 recommended to work at the partnerships or at the</p> <p>24 buildings?</p> <p>25 A. Hal Harris is a good example. He</p>

9 (Pages 30 to 33)

34

1 John Edmonds
 2 lives in -- is Lakeview and he's a licensed real
 3 estate broker. And he came to me on one occasion
 4 and said to me that he had an assignment of a
 5 lease from a hospital which was on the west side
 6 of Manhattan.
 7 And he says, You know, your medical
 8 space here at Lakeview has been vacant for five
 9 or six years, and I can produce a client for
 10 this -- for this space.
 11 And I said, Fine.
 12 And I signed the agreement because I
 13 had -- I had spoken to Bob about it and I said --
 14 and Bob wanted to know what was the deal, who was
 15 the client, so forth. And I said, Bob, he says
 16 he can deliver. We got space that's been vacant
 17 for five or six years. Let's see whether he can
 18 deliver.
 19 And the client he had was Mount
 20 Sinai Hospital. And apparently he did deliver
 21 Mount Sinai. I don't know whether he -- whether
 22 he and Bob later changed the deal. Because
 23 apparently, as I kind of -- looking at it, what
 24 he did was to assign his contract to Seavey or to
 25 Fifth and 106th Street associates.

35

1 John Edmonds
 2 Q. When you say "he" assigned it,
 3 you're talking about Hal Harris?
 4 A. Yes, that's correct.
 5 Q. And Hal Harris' company is T-wall
 6 [ph]; is that correct?
 7 A. He's got a couple of companies. One
 8 is Win Back [ph]. One is T-wall, the one you
 9 just mentioned. And then sometimes he operates
 10 in his own, just as a broker.
 11 Q. And there's actually a lawsuit
 12 concerning T-wall suing Fifth and 106th Street --
 13 A. Yes.
 14 Q. -- over this payment for this --
 15 A. That's correct.
 16 Q. -- contract?
 17 A. Hal made me understand that he was
 18 entitled to get from Dalton Management Company, I
 19 assume, because -- a hundred thousand dollars a
 20 year after the first two years of this agreement.
 21 He told me further that the agreement provided
 22 for -- for Lakeview or Dalton to have \$685,000
 23 per year for the use of this space.
 24 Q. Now, you said earlier Hal Harris
 25 lives at Lakeview; is that correct?

36

1 John Edmonds
 2 A. Yes.
 3 Q. Does he pay rent?
 4 A. Ask Bob Seavey here. Bob would
 5 know. I wouldn't.
 6 Q. Are you --
 7 A. The last time I saw any
 8 information --
 9 MR. HAYWOOD: Lord knows we've sued
 10 him often enough.
 11 A. Last time I saw any information, I
 12 think Hal owed either 38,000 or 138,000,
 13 something like that, he hasn't paid.
 14 Q. And your counsel, Mr. Haywood, said
 15 Lord knows we've sued him enough.
 16 Was he referring to you sued him in
 17 landlord/tenant court for --
 18 A. Yeah, I remember on one occasion he
 19 asked me to come to testify in court. Hal has
 20 some kind of a deal. And I had been in his
 21 apartment several times. And he has this
 22 business about -- he's supposed to be very
 23 religious. So when you come into his apartment,
 24 he wants you to take off your shoes.
 25 And he records everything, every

37

1 John Edmonds
 2 conversation he has of any kind. He just says,
 3 I'm so busy, John, that I don't remember, so I
 4 want to record what we say here.
 5 And so then he came to me later,
 6 after that lawsuit, in which, you know, I
 7 testified that Hal -- he's got the best apartment
 8 I've seen in the building. What are you talking
 9 about? Four bedrooms and -- and he's running a
 10 business out of there and so forth and so on.
 11 And he's got a frost man. I've
 12 forgotten the guy's name. I don't know whether
 13 he lives there or not, but I know I got some
 14 recent correspondence from them in which this guy
 15 uses the building entrance on Fifth Avenue -- he
 16 called it Upper Manhattan something, and said
 17 that his office was located in this suite,
 18 Suite 2R or 3R, which suite he's talking about is
 19 Hal's apartment.
 20 Q. Have you ever shared an office space
 21 with Hal Harris?
 22 A. No, none that I know of.
 23 Q. Has Hal Harris ever paid you any
 24 income or fee for referring business to him?
 25 A. No.

10 (Pages 34 to 37)

38

1 John Edmonds
 2 Q. So if Hal Harris had told Mr. Seavey
 3 that he splits commissions with you, he would be
 4 lying?
 5 A. That's correct.
 6 Q. Are there any other local Harlem
 7 businesses that you can think of that you
 8 referred business to from the partnerships?
 9 A. Well, at one point, I was insisting
 10 upon having minority firm -- a local minority
 11 firm in managing the properties. And somehow
 12 they always would get some conflict with the
 13 state housing division and they would move them
 14 off of the site. And I wondered about that, if
 15 that would happen.
 16 Q. Are you familiar with the security
 17 company called Enterprise 9?
 18 A. I believe that's a company that Mel
 19 owns.
 20 Q. Are you a partner in that company?
 21 A. No, I'm not.
 22 Q. Have you ever received any money
 23 from Enterprise 9?
 24 A. No, not that I know of.
 25 Q. Did you ever represent to anyone at

39

1 John Edmonds
 2 DHCR or HUD that Enterprise 9 was your company?
 3 A. No. I might have said that it was
 4 an associate of mine. And I'm sure if anyone
 5 there asked me, that's what I said, Oh, yes, it's
 6 Mel Haywoode's company.
 7 Q. Did you recommend Enterprise 9 to be
 8 a vendor for one of the partnerships?
 9 A. I might have. I don't recall. I
 10 really don't recall. I know that I always wanted
 11 Mel. And Mel wanted to handle the
 12 landlord/tenant matters, so I may have
 13 recommended Enterprise 9 also.
 14 Q. And so did you recommend
 15 Mr. Haywoode then to perform landlord/tenant work
 16 for the partnerships?
 17 A. Yes.
 18 Q. And you recommended that to
 19 Prestige, a former management company at the
 20 property?
 21 A. Perhaps to Prestige. And I know I
 22 recommended it to Bob Seavey.
 23 Q. In fact at one point, Mr. Haywoode
 24 actually sued at least one of the partnerships,
 25 Logan Plaza, claiming RICO violations for unpaid

40

1 John Edmonds
 2 attorneys' fees; is that correct?
 3 A. That's correct.
 4 Q. Were you named as a defendant in
 5 that lawsuit?
 6 A. I don't know whether I was named as
 7 a defendant or not, but I do know that -- yes,
 8 what happened was that Seavey named me as a
 9 defendant in which he was counterclaiming against
 10 me for his failure to pay Mel the amounts due
 11 him.
 12 Q. So Mr. Haywoode then named
 13 Mr. Seavey as one of the named defendants, but
 14 not you; and then Mr. Seavey did a third-party
 15 complaint against you as a defendant?
 16 A. Yes.
 17 Q. Turning to this matter --
 18 MR. TRAUB: Mark this as Exhibit
 19 No. 1.
 20 (Defendants' Exhibit 1, 3/8/07
 21 Letter to Seavey from Edmonds, marked for
 22 identification.)
 23 Q. Mr. Edmonds, you've been handed
 24 what's been marked as Defendants' Exhibit No. 1.
 25 Do you recognize this document?

41

1 John Edmonds
 2 A. Yes, it was a letter that I wrote
 3 Bob.
 4 Q. And what's the date on the letter?
 5 A. It's March 8, 2007.
 6 Q. And if you can read for the record
 7 the first sentence in your letter.
 8 A. "Rudy Clark, CPA, has forwarded to
 9 me a copy of your response dated March 2, 2007,
 10 in connection with my retention of Mr. Clark in
 11 his professional capacity to examine the books
 12 and records of Dalton Management Company, LLC,
 13 your family-owned management company.
 14 "In view of the above-cited
 15 correspondence, I am directing this
 16 correspondence to you and to Phyllis Seavey,
 17 Esq., the principal owner of Dalton Management
 18 Company; Avery Seavey, Esq., a minority owner;
 19 and Nealie Seavey, Esq., a minority owner; and
 20 Ron Dawley, the chief executive" --
 21 I said chief executive officer. I
 22 now understand that Mr. Dawley considers himself
 23 the chief operating officer.
 24 -- "of Dalton Management Company
 25 Corporation."

11 (Pages 38 to 41)

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1 John Edmonds
 2 Q. Okay. And then your next sentence
 3 says that you retained Mr. Clark --
 4 A. "For the precise purpose of
 5 examining all of the books and records of Dalton
 6 Management Company as it relates to the above
 7 property."
 8 Q. Why did you retain Mr. Clark to
 9 examine the books and records of Dalton
 10 Management Company?
 11 A. Rudy Clark has been my CPA for maybe
 12 10, 12, 15 years. He originally was here in
 13 New York City. And as a matter of fact, if my
 14 recollection is clear, when we were at 5 Beekman
 15 Street, we rented space to Rudy Clark and to a
 16 Loridell MacMillan, who was a CPA at that time.
 17 I now understand that he is considered New York's
 18 top litigator or something to that effect.
 19 Q. I don't --
 20 A. So that's the reason I sent the
 21 correspondence.
 22 Q. My question was, why did you retain
 23 him for the purpose of examining the books and
 24 records of Dalton? Was there something that
 25 triggered your desire for an examination of the

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1 John Edmonds
 2 books and records of Dalton?
 3 A. Yes.
 4 Q. And what was that?
 5 A. I had -- on the Logan Plaza matter,
 6 I had gone to Avery Seavey, and I told him that,
 7 with respect to Logan, since we were the only two
 8 parties interested, that is the Seaveys and
 9 Edmonds, each own about 50 percent each, that I
 10 thought that we should open an account at the
 11 bank that I did business with, which was Valley
 12 National Bank.
 13 And I took Avery there to the bank,
 14 to the Madison Avenue office at 40th Street,
 15 that's my principal office, introduced him to the
 16 officers. And the vice president in charge of
 17 the office said to me, Mr. Edmonds, you go ahead
 18 and sign and Mr. Seavey can get this back to us
 19 as early as he can.
 20 And I did and gave Avery a document.
 21 And maybe three, four, five weeks
 22 later, I called Avery, because I figured that he
 23 was busy doing other things. And I said, Avery,
 24 you haven't returned that -- that signature card
 25 or document to the bank. You know, what's

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1 John Edmonds
 2 holding it up?
 3 And he said to me that he had given
 4 it to his mother.
 5 And I said, Well, why would you do
 6 that?
 7 He says, Well, that's our way of
 8 handling matters. My mother is in charge of
 9 Dalton and so forth and so on.
 10 And so I said, Okay.
 11 And I came down to Seavey's office
 12 and asked to meet with Bob. Phyllis has a habit
 13 of sitting in the back. Bob's office is like a
 14 horseshoe. And when you talk to Bob, she
 15 generally hears everything that you say to him.
 16 And when I told him that I wanted
 17 this to be done, I wanted it done immediately, he
 18 said to me that he would have to discuss it with
 19 Phyllis. And just at that point, Phyllis came
 20 forward and said to me, John, darling -- she
 21 always calls me darling when she's getting ready
 22 to do you in.
 23 She says, John, darling, that's not
 24 the way that we're going to handle this.
 25 And I said, Phyllis, that's not a

45

1 John Edmonds
 2 determination for you to make; it's a
 3 determination for the managing partners of the
 4 property to make. And where's Bob?
 5 Bob then came out and says to me --
 6 he says, John, let's not have an extended
 7 discussion about this today. You -- I'll work it
 8 out with Phyllis and I'll get back to you.
 9 And he didn't get back to me. So I
 10 called him again. And then Bob arranged a
 11 meeting at a restaurant on 34th Street, a Thai
 12 restaurant, as I recall, between Park and Lex, on
 13 the northern side of the street.
 14 And when I got to the meeting, I was
 15 surprised, because I thought it was the meeting
 16 between Bob and myself, that the Singer brothers
 17 was there. And they -- I said, Gee, I didn't
 18 know that the Singers were going to be a part of
 19 this meeting.
 20 They are the limited partners in the
 21 Lakeview situation.
 22 Q. And you understood this meeting to
 23 discuss opening a bank account about Logan?
 24 A. Yes.
 25 The meeting was concluded. And then

12 (Pages 42 to 45)

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1 John Edmonds
 2 I said to Bob, Look, we need to settle this
 3 business about the bank account today.
 4 So he says, Well, let me talk to
 5 Phyllis further and I'll give you a call.
 6 I said, Fine.
 7 I didn't get a call from Bob. So
 8 one day I came down here and I said, Bob, I want
 9 to talk to you about this. Bob said to me that
 10 he was on his way to a meeting and that I could
 11 discuss it with Phyllis and Avery.
 12 And I undertake the discussion, and
 13 Phyllis said to me, John, I've told you, this is
 14 not the way it's going to be done. Dalton is
 15 going to manage these accounts. And I've asked
 16 you not to -- to come in making this demand. And
 17 as a matter of fact, I want you out of my office.
 18 By the time, Bob had disappeared.
 19 And I said, Well, I didn't come to
 20 see you. I came to see Seavey.
 21 And she said, Well, Seavey is not
 22 here. He has a meeting outside the office. And
 23 I order you out or else I'm going to call
 24 security.
 25 Q. When you mean "Seavey," you mean Bob

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1 John Edmonds
 2 Seavey; is that correct?
 3 A. Yes, Bob Seavey.
 4 Q. And what time was this meeting?
 5 A. Maybe 2 o'clock in the afternoon.
 6 Q. I'm sorry, what date? 2006, 2007?
 7 A. I think this is 2007.
 8 Q. Okay.
 9 A. I think it was 2007.
 10 And so I left. And when I got
 11 downstairs, I told the -- the security guy
 12 there -- I said, Look, when Bob comes in here,
 13 you tell him that I'm not going to come down here
 14 to be insulted by Phyllis and if he wants to
 15 discuss anything further with me, then be in
 16 touch.
 17 In the meantime, I think the
 18 Singers -- even earlier the Singers had brought a
 19 lawsuit against Bob as it related to a parcel
 20 that they own at 23rd Street -- they're the
 21 limited, Bob is the general -- and 23rd -- I
 22 think between First and Second Avenue.
 23 And they came to me and asked me --
 24 and said to me that they were going to start a
 25 lawsuit against Seavey on Lakeview because they

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1 John Edmonds
 2 said they only own 25 percent of the parcel on
 3 23rd Street and that would be difficult to
 4 overturn as a minority holder, but that the
 5 combination of them and myself come to somewhere
 6 between 85 and 90 percent of the ownership of
 7 Lakeview. And I joined with them on that
 8 occasion.
 9 And I think the brother said that --
 10 I said, You know -- and this is going to be
 11 rough -- this is going to be a tough lawsuit. I
 12 said, Because Bob doesn't give up very easily.
 13 And they said to me that -- Well,
 14 neither do we.
 15 And then I recall that, at one
 16 point, Bob had been the senior counsel, I believe
 17 right here in this building, for the Singers and
 18 Andrew Cuomo. They had a firm.
 19 Q. And the purpose of the lawsuit that
 20 the Singers brought was to force the sale of
 21 Lakeview; is that correct?
 22 A. That's correct.
 23 Q. And you had joined in wanting to
 24 sell the property at Lakeview?
 25 A. Yes.

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1 John Edmonds
 2 And then --
 3 Q. Let me back you up for one second.
 4 You said that initially you wanted, with respect
 5 to Logan, to transfer the Logan bank accounts to
 6 Valley National Bank?
 7 A. Yes.
 8 Q. And that the Seaveys refused to
 9 transfer the bank account to Valley National
 10 Bank?
 11 A. That's correct.
 12 Q. Were you aware of which bank
 13 account -- I'm sorry, which bank Logan currently
 14 had accounts at at that time?
 15 A. Oh, yes, I remember a discussion I
 16 had with Phyllis about that. The bank that we
 17 had been was Chase Bank, had been the bank
 18 that -- where all these accounts were. And I
 19 approached Phyllis and I said -- she transferred
 20 them to the Bank of New York.
 21 And I said, Why did you transfer
 22 those -- you know, we were getting good service,
 23 et cetera.
 24 She says, For Dalton's convenience,
 25 John.

13 (Pages 46 to 49)

50

1 John Edmonds
 2 So I said, Well, you know, I don't
 3 approve of that at all and I want you to know
 4 that.
 5 Q. Now, you will agree that Logan has a
 6 management contract with Dalton; is that correct?
 7 A. That's what they tell me.
 8 Q. Were you a signator to the contract?
 9 A. I don't recall whether I was or not.
 10 I may have been, but I don't really recall.
 11 Q. Why did you want to move Logan's
 12 account to Valley National Bank?
 13 A. Because I wanted to begin to get in
 14 a position to have more involvement with how our
 15 monies were being used, either the reserves and
 16 whatever else. I wanted to be able to keep up
 17 with that. I wanted to know where that was and
 18 so forth and so on.
 19 Q. Now, the Seaveys offered you the
 20 opportunity to cosign all checks from Logan,
 21 didn't they?
 22 A. I have no recollection of that. The
 23 only thing I generally receive from Logan and any
 24 of the other developments is a monthly statement
 25 that sets forth the amounts collected, the

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1 John Edmonds
 2 amounts -- generally speaking, they do attach the
 3 checks that relate to the employees and Domestic
 4 Relations Corp. checks and that kind of thing,
 5 but the other checks they do not.
 6 MR. TRAUB: Can I have this marked
 7 Defendants' Exhibit No. 2, please.
 8 (Defendants' Exhibit 2, 7/31/06
 9 Letter to Edmonds from Seavey, marked for
 10 identification.)
 11 BY MR. TRAUB:
 12 Q. Mr. Edmonds, you've just been handed
 13 Defendants' Exhibit No. 2. Have you ever seen
 14 this letter before?
 15 A. Yes. It was sent to me by Phyllis
 16 in 2006.
 17 Q. Do you recall receiving this letter?
 18 A. I don't recall receiving it, but I
 19 acknowledge that I received it.
 20 Q. If you look at the last paragraph,
 21 can you read that paragraph for the record,
 22 please.
 23 A. "As for the taking of your money,
 24 again, be advised that such a thing was never,
 25 ever done. Dalton chose to change its banking

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1 John Edmonds
 2 relations and bank with the Bank of New York and
 3 eliminate the Chase account. All monies
 4 transferred to the Bank of New York was a Logan
 5 Plaza Management account and its Chase account
 6 ceased to exist.
 7 "We suggested that you cosign all
 8 Logan checks, and this would require your weekly
 9 attendance at the Dalton office. You thought it
 10 would be sufficient to have all checks xeroxed
 11 and copies sent to you. I thought this was okay
 12 and we so did and do," which is not accurate.
 13 Q. Does that reflect your recollection,
 14 though, that --
 15 A. That this was the letter, yes.
 16 Q. -- that Seaveys asked you to
 17 cosign --
 18 A. Yes.
 19 Q. -- on the Logan checks?
 20 A. Yes.
 21 Q. And that you said that you didn't
 22 need to come in and cosign on the checks?
 23 A. I believe I may have said that,
 24 Look, if you just send me copies of all the
 25 checks, that would be sufficient for me.

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1 John Edmonds
 2 Q. So turning back your attention to
 3 Defendants' Exhibit No. 1, you said you had
 4 retained Mr. Clark for the precise purpose of
 5 examining all of the books and records of Dalton
 6 Management as it relates to the above properties.
 7 Why did Mr. Clark not end up being
 8 the CPA that you used for the examination?
 9 A. Mr. Clark's office is now in
 10 Greensboro, North Carolina, and he obviously has
 11 many clients. And --
 12 MR. HAYWOODE: I'm just going to
 13 note my objection to the question insofar
 14 as it might call for speculation.
 15 The witness may respond.
 16 A. He contacted either Mel or the firm
 17 that's now doing the examination here in
 18 Brook- -- who have an office in Brooklyn, on
 19 Utica Avenue, to do the examinations and they're
 20 undertaken there.
 21 Q. And the reason you didn't use
 22 Mr. Clark is because he was in Greensboro, North
 23 Carolina?
 24 A. Yes, and not -- you know, just was
 25 not feasible for him to examine -- be here to

14 (Pages 50 to 53)

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1 John Edmonds
2 examine and try to run his business in North
3 Carolina.

4 Q. Prior to sending this March 8, 2007,
5 letter to Robert Seavey, had you discussed with
6 Mr. Clark retaining him to examine the books and
7 records?

8 A. Yes, I probably did discuss it with
9 him. And he said to me that, John, it's not
10 feasible for me because I have other clients -- a
11 lot of clients and I can't come to New York and
12 spend, you know, weeks examining books and
13 records, et cetera.

14 Q. So if he told you that he was in
15 Greensboro, North Carolina, which you knew at
16 that time, and he told you it was not feasible
17 for him to do the examination, why did you write
18 a letter to the Seaveys telling them that
19 Mr. Clark would in fact be doing the examination?

20 A. I think I wrote that letter because
21 he was my CPA. And at that time, I had no other
22 involvement with any other CPA firm. And so I
23 wrote that letter to say, Look, Rudy is my CPA
24 and I'm going to ask him to do thus and so on.
25 And then I discussed it with him and

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1 John Edmonds
2 he made it plain that it would be almost
3 impossible for him to assume that responsibility.

4 Q. I guess I'm confused by your
5 testimony. At the time you wrote this letter,
6 you had or had not already discussed the
7 retention of Mr. Clark with Mr. Clark?

8 A. I believe I had discussed the
9 retention of Mr. Clark at the time that I wrote
10 the letter. I wouldn't have written a letter
11 without -- without his having knowledge of the
12 fact that -- that I was seeking to use him for
13 that purpose.

14 Q. Even though Mr. Clark told you he
15 was in Greensboro and it would be practically
16 impossible for him to come to New York to
17 undertake such a large examination, you still
18 wrote this letter?

19 MR. HAYWOODE: My objection is to
20 the form, Counsel, because we don't know
21 when which of those informations [sic] was
22 provided unless you lay a foundation at the
23 time.

24 Object to the form.

25 MR. TRAUB: I'm going to cite to you

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1 John Edmonds
2 Federal Rule 30, which is what corresponds
3 with this deposition. And under Federal
4 Rule 30(c)(2), it states, "An objection
5 must be stated concisely, in a
6 nonargumentative and a nonsuggestive
7 manner."

8 And I'm taking issue with your
9 suggestive comments in your objection. So
10 I'll let you do a concise and
11 nonargumentative and nonsuggestive
12 objection, but that's the basis of the
13 extent that I'm going to allow your
14 objections.

15 MR. HAYWOODE: Counsel, you said, he
16 spoke with you, he spoke with you. The
17 witness has testified, I spoke with him, I
18 spoke with him. Your question suggests,
19 again, that he did the one act before
20 having spoken with him.

21 And I simply said that you should
22 lay a foundation for the sequence of these
23 conversations. Because you're saying
24 something that is unspecified and he's
25 answering something which is entirely

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1 John Edmonds
2 different.

3 MR. TRAUB: I think the record
4 speaks for itself, that we actually did
5 discuss the precise sequence of
6 conversations and events, and that was the
7 determination of my prior questions.

8 BY MR. TRAUB:

9 Q. Mr. Edmonds, if you turn to the
10 fourth paragraph down in your March 8, 2007,
11 letter, can you please read that statement.

12 A. "This examination will be in
13 accordance with 28 U.S.C. 1331, the Racketeer
14 Influenced and Corrupt Organizations Act (RICO),
15 18 U.S.C. 1964(a), personal jurisdiction over the
16 named defendants pursuant to U.S.C. 1965."

17 Q. Mr. Edmonds, what is your
18 understanding as to what a RICO action is?

19 MR. HAYWOODE: Objection to the
20 relevance of his understanding.

21 The witness may answer.

22 A. My understanding of it is that it's
23 an action brought on behalf of the plaintiff in
24 connection with alleged racketeering as it
25 relates -- in this instance, as it relates to a

15 (Pages 54 to 57)

58

60

1 John Edmonds
2 number of parcels of real property.
3 Q. Do you understand actually, though,
4 what a claim under RICO is?
5 A. I don't know whether I do or not.
6 Q. But yet, you stated in your
7 March 8th letter that this would be in
8 accordance with RICO; is that correct?
9 A. Yes, that's correct.
10 Q. Did you actually look up 28 U.S.C.
11 1330 --
12 A. I did not, no.
13 Q. Did you look up 18 U.S.C. 1964(a) at
14 the time?
15 A. No, I did not. I believe that the
16 conduct of the Seaveys was such and continues to
17 be such that it fitted the pattern of a RICO
18 action.
19 Q. You say it fit with the pattern of a
20 RICO action. What is your understanding of what
21 a pattern of a RICO action is?
22 A. The pattern is where there is an
23 abuse on the part of a party, in this instance,
24 Dalton, Seavey, Bob Seavey, Phyllis, and the
25 Seavey kids, as it relates to these properties

1 John Edmonds
2 that you were down here.
3 And I said, Fine.
4 Q. When was the last time that you were
5 at DHCR?
6 A. I think that was just before -- that
7 was in 2007. 2007, I think. 2007 or 2008. I
8 don't remember.
9 Q. And who was this quote-unquote young
10 man that you're testifying to?
11 A. I don't know. Fernandez -- I don't
12 know his name. I know that he -- he apparently
13 lives in the East Harlem area, but I don't know
14 his name. But I do know that he's a functionary
15 down there.
16 Q. And that he had lunch with Bob?
17 A. According to him. I don't know that
18 he had lunch with Bob. According to him.
19 Q. Are there any other abuses that you
20 can think of when you used the term "abuse"?
21 A. Well, I think that when you are in a
22 business relationship with a person and you
23 attempt to -- and you go forward -- not attempt,
24 but go forward to secure complete control of the
25 relationship and dominate the placing of monies

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1 John Edmonds
2 that I named in the action. I think that their
3 conduct is racketeer influenced. They're looking
4 to skin the cat all for themselves and leave
5 nothing for any partner, including Edmonds.
6 Q. When you say "abuse," please be
7 specific in what you mean by "abuse."
8 A. Well, it's an abuse, in terms of how
9 I understand it, for a party to enter into
10 partnerships with another party and then assume
11 complete control and refuse to give accountings
12 for all of the dollars that are received and the
13 use of those dollars.
14 As a matter of fact, sir, the last
15 time I was at DHCR, the young fellow who is the
16 deputy commissioner who -- Lakeview is part of
17 his mission, told me to speak to his counsel when
18 I asked them to give me a record of all of the
19 holdings and the deposits that they cosign on
20 behalf of the partnerships.
21 When I spoke to his counsel, his
22 counsel told me that he would not permit it. And
23 then when I was leaving the building on the
24 elevator, this young fellow said to me, I'm going
25 to have lunch with Bob tomorrow and I'll tell him

1 John Edmonds
2 and determine where the monies should be sent and
3 so forth and so on, that -- that you are
4 committing a quality of abuse that fits
5 criminality.
6 Q. You will agree with me -- strike
7 that.
8 Are you aware that each of the four
9 housing projects at issue --
10 MR. HAYWOOD: You meant to withdraw
11 something from the record, not strike it?
12 You meant to withdraw --
13 MR. TRAUB: I'm okay with striking
14 my comment. Same thing.
15 MR. HAYWOOD: Does the federal
16 rules give you the authority to strike
17 something?
18 MR. TRAUB: It's my deposition --
19 MR. HAYWOOD: So you're going to
20 withdraw it?
21 MR. TRAUB: I'll withdraw the first
22 incorrect part of my sentence, if that
23 makes you happy.
24 MR. HAYWOOD: No, I just want to be
25 sure that you're withdrawing the question.

16 (Pages 58 to 61)

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1 John Edmonds
2 Because we don't have authority to strike
3 it.
4 MR. TRAUB: It wasn't a question. I
5 hadn't finished my question.
6 MR. HAYWOODE: Okay.
7 BY MR. TRAUB:
8 Q. Mr. Edmonds, are you aware that all
9 four of the partnership housings are controlled
10 in some part by a different federal- or
11 state-sponsored housing agency?
12 A. Yes.
13 Q. For instance, Lakeview is controlled
14 by DHCR; is that correct?
15 A. DHCR on behalf of the State Urban
16 Development Corporation.
17 Q. Do you know how Lakeview is
18 financed?
19 A. Yeah. I believe that it was
20 financed by the State Urban Development
21 Corporation. And in those years -- now, this is
22 some, what, 40 years ago, I think there was a
23 provision of that -- of the law at that time that
24 permitted the funding of these affordable housing
25 developments up to 90 percent.

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1 John Edmonds
2 And I believe that what Bob did here
3 was to go to Rubin Glick, who I think we hired at
4 that time as the -- as a principal contractor, to
5 borrow the funds, 10 percent. And on that basis,
6 I think the project was funded. And I believe
7 the funding was somewhere between 16 and
8 \$20 million that -- at that time.
9 Q. Do you know how Lakeview takes in
10 money on a daily, weekly or monthly basis?
11 A. At one point, the documents that I
12 would get from Phyllis on the left-hand column
13 would list the amounts taken and deposited, the
14 dates of deposit, et cetera. And the other
15 column would list the uses of the dollars.
16 The most recent thing that I've
17 received does not do that. It doesn't give you
18 that information. In other words, there's much
19 less information given by the most recent
20 statements that they've been giving.
21 Q. Do you know which entities regulate
22 Lakeview?
23 A. Yeah, I've said on behalf of -- on
24 behalf of the State Urban Development
25 Corporation, DHCR. And there's another agency

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1 John Edmonds
2 that's at 40th Street, I believe, and Third
3 Avenue -- I can't think of the name of that
4 agency -- that has a role in the -- in the
5 regulation. And also, I believe HUD has one.
6 I remember that -- I think that this
7 lady, Deborah Van, something, Amorgin, was at
8 HUD. And I think that basically the federal
9 government is responsible for putting these
10 monies into various states and state housing
11 agencies to be used for affordable housing
12 purposes.
13 Q. And do you have an understanding as
14 to whether or not each of these government
15 entities have regulations or rules that govern
16 the operation of Lakeview?
17 A. Yes, I understand that. And I
18 understand, also, that at one point Seavey's
19 nephew was the deputy commissioner for downstate
20 New York with the state agency. And I think that
21 he had a role in enunciating the policy of DHCR.
22 Q. So you're saying that Seavey's
23 nephew may have had a role in actually --
24 A. Not "may have had." He did have a
25 role.

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1 John Edmonds
2 Q. He had a role --
3 A. Bob arranged for his appointment for
4 that purpose through the governor then, Cuomo.
5 Q. You're saying Bob's nephew had a
6 role in drafting the DHCR regulations?
7 A. No, I didn't say that. He had a
8 role in implementing them and defining them.
9 Q. With respect to Lakeview or with
10 respect to all housing projects?
11 A. With respect to, I would presume,
12 all housing of an affordable nature in the
13 downstate area here in New York.
14 Q. Do you know how the management fees
15 are calculated for Lakeview?
16 A. No, I guess Phyllis has -- has a
17 system for calculating them. And I think she
18 told me she only -- We only -- We only -- We only
19 take what they will permit, John. And in fact,
20 our fees are only -- management fees are only
21 2 1/2 percent.
22 Q. Are you aware that --
23 MR. HAYWOODE: Just a minute. He
24 wasn't exactly finished.
25 A. And if you look at -- you know, if

17 (Pages 62 to 65)

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1 John Edmonds
2 you look at the statements that I've seen at the
3 end of the year, you'll see that some 18 or
4 20 percent, somewhere between 12 and 20 percent
5 will have gone to -- to Dalton Management for
6 management purposes. For example, Phyllis' staff
7 are all paid by the partnership, not by -- by
8 Dalton Management. They get a percentage of
9 income --

10 Q. Mr. -- I'm going to stop you now --

11 MR. HAYWOODE: Wait a second.

12 MR. TRAUB: Mr. Haywoode, let me
13 finish my interruption.

14 BY MR. TRAUB:

15 Q. I don't believe you're answering the
16 question that I have on the table.

17 MR. HAYWOODE: Just a minute. I
18 believe the process is to let him answer
19 and then move to strike what's not
20 relevant.

21 MR. TRAUB: Given that I have a time
22 constraint today --

23 MR. HAYWOODE: To interrupt the
24 witness in the middle of a question that
25 you asked him?

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1 John Edmonds

2 BY MR. TRAUB:

3 Q. Did you understand the question
4 that's before you right now?

5 A. I thought I did.

6 MR. TRAUB: Can the court reporter
7 read back the question.
8 (Record read.)

9 MR. HAYWOODE: Had you finished your
10 answer?

11 THE WITNESS: Yes.

12 MR. HAYWOODE: You were in the midst
13 of saying something when Mr. Traub stopped
14 you.

15 THE WITNESS: No --

16 MR. HAYWOODE: Are you finished?

17 THE WITNESS: -- I think I've
18 completed the answer.

19 MR. HAYWOODE: Okay.

20 BY MR. TRAUB:

21 Q. Are you aware, with respect to
22 Lakeview, that DHCR provides a flat rate fee for
23 management fees?

24 A. I'm aware of the fact that they may
25 well do that, but they also provide some device

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1 John Edmonds

2 where that flat rate is avoided.

3 Q. With respect to -- withdrawn.

4 When you say there may be some
5 device for avoiding that fee, is that what you're
6 referring to when you said that some of the
7 employees of Dalton are paid directly from the
8 partnerships?

9 A. All of them.

10 Q. All of them are paid directly from
11 the partnerships?

12 A. Everybody there, as far as I can
13 determine, are paid with partnership funds and
14 not the management fee of Dalton Management.

15 Q. In your view, that's inappropriate?

16 A. Yes.

17 Q. And in your view, does that breach a
18 contractual obligation?

19 A. I think it does.

20 Q. And which contractual obligation do
21 you believe that to breach?

22 A. The contractual obligation is that
23 the contract would require them to receive X
24 dollars for management services. Most of the
25 companies that do this kind of business receive

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1 John Edmonds

2 something like 6 percent for their fee and
3 they're responsible to pay their own employees.
4 In this instance, that does not apply.

5 Q. And that would be -- and we'll get
6 to it a little later.

7 That would be the basis for your
8 statement in the verified complaint and in your
9 affidavit that the -- I want to be precise in my
10 quotation here of you -- that "there's no
11 provision in the management agreements between
12 defendant Dalton and the partnerships to pay the
13 salaries of defendant Dalton's employees
14 including defendant Dawley, who was paid
15 \$140,000"; is that correct?

16 A. I know of no provision in the
17 management contract that would permit the payment
18 of management -- management fees above and beyond
19 what is normal and usual in the -- in the
20 industry. Okay.

21 And I repeat, I think for the fourth
22 time, that that is not the way in which Dalton
23 Management handles that management fees and that
24 the employees of Dalton Management are paid by
25 the partnership above and beyond any fee that

18 (Pages 66 to 69)

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1 John Edmonds
 2 Dalton Management receives.
 3 Q. In your view, that's incorrect, it
 4 shouldn't be paid from the partnerships, it
 5 should be paid by Dalton directly?
 6 A. Not in my view, but I think it's
 7 rational. Yes. That's what should be done, yes.
 8 Incidentally, is Phyllis denying
 9 that this is the process?
 10 Q. I'm not here to answer your
 11 questions. Unfortunately, this is -- I'm taking
 12 your deposition today.
 13 A. Okay.
 14 Q. Are there any other abuses that you
 15 can think of specifically --
 16 A. I've said to you over and over
 17 again, Mr. Traub, today that the system of
 18 management imposed by the Seaveys in each of the
 19 projects is a system that is abusive and it's a
 20 system that should not be and it's a system for
 21 the kind of racketeering, et cetera, that the
 22 Seaveys -- that the Seaveys go forward with.
 23 For instance, Phyllis has all the
 24 records of all these monies everywhere, okay, and
 25 my accountants are having a very difficult time

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1 John Edmonds
 2 getting the kind of information that would give
 3 us an accurate picture of where the monies are
 4 and where the reserves are and where the
 5 investments are.
 6 Q. Is it your understanding that over
 7 the last two days, being Wednesday and Thursday,
 8 that your accountants have been at Dalton
 9 Management reviewing all of the retainage
 10 accounts --
 11 A. My --
 12 Q. Let me finish my question for the
 13 record.
 14 A. Go ahead.
 15 Q. Thank you.
 16 -- all of the investment accounts
 17 and retainage accounts over the last two days?
 18 A. I don't set their schedule for them.
 19 Okay. And I don't know whether they're there or
 20 not. They set their own schedule. So they may
 21 be there, they may not be there.
 22 But I do know that they have
 23 informed me on more than one occasion that on the
 24 occasions that they're there for the examination
 25 of books and records, their examination is not

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1 John Edmonds
 2 unfettered, but rather that -- principally Nealle
 3 sits and tells them what they can have and what
 4 they can't have.
 5 MR. HAYWOODE: Indicating the
 6 defendant Nealle Seavey?
 7 THE WITNESS: That's correct.
 8 A. And that does not make it feasible
 9 for them to go quickly through this examination.
 10 MR. TRAUB: Can I mark this
 11 Defendants' Exhibit 3, please.
 12 (Defendants' Exhibit 3, 3/27/07
 13 Letter to Seavey from Edmonds, marked for
 14 identification.)
 15 Q. Mr. Edmonds, I've given what's been
 16 marked to you as Defendants' Exhibit No. 3. Do
 17 you recognize this letter?
 18 A. Yes.
 19 Q. Is that your signature at the
 20 bottom?
 21 A. Yes.
 22 Q. And can you please read the very
 23 first line.
 24 A. "I have retained the accounting firm
 25 of Cameron Griffiths & Pryce, CPAs, LLC, to

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1 John Edmonds
 2 conduct an examination of the referenced
 3 properties under the management of Dalton
 4 Management, LLC."
 5 Q. And so a second ago when you were
 6 referring to your accounting firm, is this who
 7 you were referring to, Cameron Griffiths & Pryce?
 8 A. That is correct.
 9 Q. When did you first meet Cameron
 10 Griffiths & Pryce?
 11 A. Sometime after I had written --
 12 sometime in 2007 or 2006.
 13 Q. Would it be between the time that
 14 you wrote Defendants' Exhibit No. 1 and
 15 Defendants' Exhibit No. 3?
 16 A. Yes.
 17 MR. HAYWOODE: My objection is
 18 that's already in the record from the
 19 previous testimony, but the witness has
 20 answered again.
 21 BY MR. TRAUB:
 22 Q. I'm sorry, I missed your answer,
 23 Mr. Edmonds.
 24 MR. HAYWOODE: He said yes.
 25 Q. Mr. Edmonds, you said yes, between

19 (Pages 70 to 73)

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1 John Edmonds
2 the time that you wrote those two?
3 A. Yes.
4 Q. And how did you locate Cameron
5 Griffiths & Pryce?
6 MR. HAYWOODE: Objection to the
7 relevance.
8 The witness may answer.
9 A. I located them -- I believe I might
10 have had asked Mel if he knew of any accountants
11 that did this quality -- this kind of auditing
12 work. And Mel I think said he did. He had in
13 mind another gentleman, and this person told Mel
14 that he was actually too busy to take on that
15 kind of an assignment, but that he was aware of a
16 group of CPAs who could undertake this
17 assignment. And he had reference to the Cameron
18 group.
19 Q. When you say "this assignment," can
20 you tell me what the scope of the assignment is.
21 A. The scope of the assignment is to
22 examine the books and records over -- over the
23 last ten years, going all the way back to, I
24 guess, 2000.
25 Q. And at the time that you had

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1 John Edmonds
2 retained Cameron Griffiths & Pryce, were you
3 already seeking to file a RICO action against the
4 defendants?
5 A. Yes, that was the --
6 MR. HAYWOODE: Objection to so much
7 of that as might call for attorney-client
8 privilege of some attorney or other.
9 Q. Well, let's go back to Defendants'
10 Exhibit No. 1, please. If you look at the last
11 paragraph, last full paragraph, not the one that
12 says, "I should be happy to address this issue,"
13 but the one above that. Can you please read that
14 for the record.
15 A. Which --
16 Q. Defendants' Exhibit No. 1, your
17 March 8, 2007, letter.
18 A. Which paragraph?
19 Q. The second-to-last paragraph, the
20 one that begins, "I anticipate."
21 A. "I anticipate that you, Dalton
22 Management and the owners thereof, will be served
23 by my counsel forthwith. Upon that service, it
24 is your view that you have -- it is your view
25 that you have been libeled. I invite you to

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1 John Edmonds
2 respond -- if it is your view that you've been
3 libeled, I invite you to respond in the usual
4 counterclaim and say what fees you might have to
5 pay in any state court action."
6 Q. When you say "you will be served by
7 counsel forthwith," will be served with what?
8 A. Obviously a summons and complaint.
9 Q. In a RICO action?
10 A. Yes.
11 Q. So at the time then that you did
12 retain Cameron Griffiths & Pryce, the date after
13 you said you wrote this first letter, you were
14 already anticipating filing a RICO action?
15 A. That is correct.
16 Q. Regardless of what Cameron
17 Griffiths & Pryce found in their audit?
18 MR. HAYWOODE: Objection.
19 Argumentative.
20 A. I knew that their audit -- assuming
21 that the books and records would be made
22 available to them, their audit would -- would
23 come up with -- with a consistent number of just
24 abuses that Seaveys committed as managing -- as
25 managers and controllers of the property.

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1 John Edmonds
2 Q. When you say you knew that, why did
3 you know that? What is the basis of your
4 knowledge?
5 A. Oh, all of the -- the exchanges that
6 I had with Bob and Phyllis through -- through an
7 extended period.
8 Q. And I guess I'm a little lost.
9 Based on your exchanges with Bob and Phyllis,
10 what did you know --
11 MR. HAYWOODE: I'm going to object
12 to counsel being lost, but -- please, can
13 you restate the question.
14 Q. I'm okay with my question. You can
15 answer if you understood it.
16 A. No, I really don't understand why
17 you continue to repeat this. I made my position
18 very clear here. I've said to you over and over
19 again, and I repeat, the Seaveys have abused and
20 taken advantage of the other managing general
21 partner of these properties that have been
22 identified in these letters. Okay. And that's
23 John Edmonds.
24 And John Edmonds is now moving,
25 through counsel, to correct that. And I intend

20 (Pages 74 to 77)

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1 John Edmonds
2 to do whatever I have to do to correct it in
3 terms of lawsuits. I am prepared to go to my
4 grave fighting Robert Seavey and his abuse. He
5 and I both will go to the grave.
6 Q. Mr. Edmonds, let me -- maybe I'll
7 rephrase the question for you.
8 I had asked you whether or not
9 depending on the outcome -- whether or not your
10 filing of a RICO action depended upon the outcome
11 of Cameron Griffiths & Pryce's audit. And you
12 said you knew that the Cameron Griffiths & Pryce
13 audit would find irregularities.
14 And my question to you is, what
15 irregularities did you know of at that time?
16 MR. HAYWOODE: Objection to the form
17 of the question.
18 There were letters to Pryce
19 Cameron and Griffiths --
20 MR. TRAUB: Mr. Haywoode, your
21 objection is now going beyond what is
22 allowed for under federal rules. Your
23 objection is noted.
24 BY MR. TRAUB:
25 Q. You can answer the question.

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1 John Edmonds
2 MR. HAYWOODE: Just so we're clear,
3 litigation followed the CPA inquiry. So
4 you're putting a hypothetical question.
5 MR. TRAUB: Mr. Haywoode, again,
6 your objection goes beyond what is called
7 for under federal rules. Your objection is
8 noted on the record. Mr. Edmonds --
9 MR. HAYWOODE: My objection is it's
10 hypothetical and the witness can answer the
11 question.
12 Q. You cannot direct --
13 MR. HAYWOODE: -- if he understands
14 it.
15 A. I retained them because I knew that
16 these abuses existed.
17 Q. And my question is, what abuses did
18 you know of?
19 A. I knew of the management abuses. I
20 just answered that several times.
21 Q. No, you --
22 A. Yes, I did. I told you that I knew
23 that the abuses existed based upon the kind of
24 responses that I was getting from Seavey and from
25 Phyllis.

1 John Edmonds
2 Cameron Griffiths & Pryce did their audit?
3 A. I told you yes, I did.
4 Q. And which --
5 A. The specific irregularities was the
6 process by which her staff is paid. That's one
7 specific irregularity.
8 Q. By "she" are you referring to --
9 MR. HAYWOODE: Indicating the
10 defendant Phyllis Seavey.
11 MR. TRAUB: Mr. Haywoode, again,
12 this is not your deposition today, so I'd
13 ask you not to testify.
14 Q. Are you referring to her being
15 Mrs. Seavey?
16 A. Yes.
17 Q. So it's the way that her staff was
18 paid out of the partnerships is one of the
19 specific irregularities that you knew of?
20 A. That's right.
21 Q. Okay. Have you used Cameron
22 Griffiths & Pryce on any other real estate
23 multifamily housing projects?
24 A. No.
25 Q. Have you used Cameron Griffiths &

21 (Pages 78 to 81)

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1 John Edmonds
 2 Pryce at all before this audit?
 3 A. No.
 4 Q. How much were you paying Cameron
 5 Griffiths & Pryce for their audit?
 6 MR. HAYWOODE: Objection.
 7 A. I paid them whatever the fees are
 8 that they charge.
 9 Q. And what are those fees?
 10 MR. HAYWOODE: Objection.
 11 We're getting into an area here of
 12 confidentiality. As to how much the
 13 accountants are being paid?
 14 MR. TRAUB: Absolutely.
 15 MR. HAYWOODE: What's the relevance
 16 of that to this inquiry?
 17 MR. TRAUB: Are you instructing him
 18 not to answer the question?
 19 MR. HAYWOODE: I have to instruct
 20 him at this point not to answer that, yes.
 21 MR. TRAUB: I'll give you one chance
 22 to withdraw your objection, for two
 23 reasons.
 24 MR. HAYWOODE: Am I under threat
 25 here?

1 John Edmonds
 2 And so, again --
 3 THE WITNESS: Bob ought to know all
 4 about that because the firm who's -- who he
 5 has retained through the years have blown
 6 their independence a thousand times
 7 already.
 8 MR. TRAUB: Again --
 9 MR. KELLY: Let me also add that if
 10 Cameron Griffiths & Pryce are fact
 11 witnesses, and that if they're being paid
 12 by a party for any purpose, that should be
 13 disclosed, if asked, and it's relevant that
 14 way.
 15 MR. HAYWOODE: A fact witness?
 16 MR. TRAUB: If you're not using them
 17 as an expert witness, then you're using
 18 them as a fact witness.
 19 BY MR. TRAUB:
 20 Q. And so again I'll ask you one more
 21 time on the record, in light of all of the
 22 statements, how much have you paid Cameron
 23 Griffiths & Pryce?
 24 MR. HAYWOODE: No determination has
 25 been made as to who will testify as an

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1 John Edmonds
 2 MR. TRAUB: No, I'm giving you a
 3 chance to withdraw your objection.
 4 Number 1, it's relevant if you're
 5 going to use them as an expert witness on
 6 accounting.
 7 MR. HAYWOODE: We haven't indicated
 8 their use as an expert witness.
 9 MR. TRAUB: And number 2 --
 10 MR. HAYWOODE: Just a minute.
 11 I haven't indicated their use as an
 12 expert witness. I have not even specified
 13 any particular accountant as an expert
 14 witness.
 15 I think I've informed you, Darren,
 16 that there are several accountants who may
 17 be becoming interested in this matter. I
 18 haven't designated anybody as an expert
 19 witness.
 20 MR. TRAUB: As you've also made
 21 clear throughout your pleadings and your
 22 depositions, that an accountant's
 23 independent auditing which can be
 24 influenced by payment is an issue when
 25 relying on an accountant and an auditor.

1 John Edmonds
 2 expert. No designation has been made of
 3 any fact witness as opposed to an expert
 4 witness. They have done what they are
 5 attempting to do. And from the records,
 6 they haven't been terribly successful with
 7 getting the information they were asked to
 8 get.
 9 MR. KELLY: Actually, they have
 10 testified already in this case when you
 11 submitted affidavits by Mr. Cameron, which
 12 makes them a fact witness in this case.
 13 You submitted the affidavit in connection
 14 with the order to show cause. You
 15 submitted the affidavit again in connection
 16 with the opposition to the motion to
 17 dismiss.
 18 They are witnesses in this case.
 19 We're entitled to find out how much they've
 20 been paid by a party in this case.
 21 MR. HAYWOODE: My objection to this
 22 question at this point, Cameron Griffiths &
 23 Pryce are going to be examined, you better
 24 put that question to them.
 25

22 (Pages 82 to 85)

86

88

1 John Edmonds
 2 BY MR. TRAUB:
 3 Q. My question, Mr. Edmonds, to you is,
 4 how much have you paid Cameron Griffiths & Pryce?
 5 My question to Cameron Griffiths & Pryce will be
 6 how much have they received. This is your --
 7 A. My answer to that question is that
 8 I'm paying them as -- as they proceed in
 9 accordance with their requirements.
 10 Q. Do you know how much you have paid
 11 them?
 12 A. As of this time?
 13 Q. As of this time.
 14 A. I don't.
 15 Q. Have you paid them more than a
 16 hundred thousand dollars?
 17 A. Yes.
 18 Q. Have you paid them more than
 19 \$500,000?
 20 A. No.
 21 Q. Have you paid them more than
 22 \$250,000?
 23 A. No.
 24 Q. More than \$200,000?
 25 A. I don't know.

87

1 John Edmonds
 2 Q. So it's more than \$100,000 and less
 3 than \$250,000?
 4 A. Yes.
 5 Q. Do you know the specific number that
 6 you've paid them?
 7 A. No, I do not.
 8 Q. When you retained Cameron
 9 Griffiths & Pryce, what did you tell them the
 10 scope of the project was?
 11 A. I told them, as I've outlined in
 12 these letters, that it would be a RICO
 13 examination and I was looking for them to examine
 14 the books, records, et cetera of Dalton and the
 15 conduct of Seavey, Phyllis and Avery and Nealle,
 16 over the last ten-year period.
 17 Q. Did you give them any specific
 18 instruction as to what they should be looking
 19 for?
 20 A. No, just go through the books and
 21 records. I said to them, You go through the
 22 books and records and I'm sure you're going to
 23 find these abuses.
 24 Q. Did you tell them of any abuses that
 25 you suspected at that time?

1 John Edmonds
 2 A. I've testified to that already.
 3 Q. My question was, did you tell
 4 Cameron Griffiths & Pryce of any of the abuses
 5 that you --
 6 A. I testified to that already. I
 7 said -- I told you that I told them that one of
 8 the abuses that I was aware of was the business
 9 of putting Dalton's management people on the
 10 payroll of the partnerships rather than on the
 11 payroll of the management company.
 12 Q. Did you tell them of any other
 13 abuses that you suspected?
 14 A. No, I told them in general terms
 15 that, as they went through these records, I was
 16 sure that they would find a substantial number of
 17 abuses.
 18 Q. What is your understanding of
 19 Cameron Griffiths & Pryce's credentials with
 20 respect to audits and forensic accounting of
 21 government-subsidized multifamily housing
 22 projects?
 23 MR. HAYWOODE: Objection to his
 24 understanding. It calls for speculation.
 25 MR. TRAUB: His understanding calls

89

1 John Edmonds
 2 for speculation, Me?
 3 MR. HAYWOODE: His understanding of
 4 their --
 5 MR. TRAUB: I want to know what his
 6 understanding is. I'm not asking him to
 7 speculate. I'm asking if he --
 8 MR. HAYWOODE: His understanding of
 9 what?
 10 MR. TRAUB: Can you repeat the
 11 question.
 12 (Record read.)
 13 MR. TRAUB: Of government-subsidized
 14 multifamily housing projects.
 15 A. I've been given to understand that
 16 they have substantial experience in this area.
 17 As a matter of fact, I believe that the young
 18 lady, Miss Pryce -- Miss Griffith owns it --
 19 Miss Pryce -- Miss Griffith was an auditor -- I
 20 believe an auditor for D&CR, retained -- they
 21 would retain her to examine the books and records
 22 of affordable housing companies. That's what
 23 I -- you know -- and that they have -- as a team,
 24 they have this background experience.
 25 Q. What is the source of your

23 (Pages 86 to 89)

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90

1 John Edmonds
 2 understanding?
 3 A. The source of my understanding is
 4 information that they gave me with respect to
 5 their backgrounds as I discussed it.
 6 Q. Did they actually give you a
 7 physical document on their backgrounds?
 8 A. No, just a -- just a discussion back
 9 and forth in their offices.
 10 Q. When you were looking to retain
 11 them?
 12 A. Yes.
 13 Q. Can you name any other multifamily
 14 real estate properties for which they are the
 15 accountants for?
 16 A. No, I cannot.
 17 THE REPORTER: Do you think we can
 18 take a break?
 19 MR. TRAUB: It's 12 o'clock now. Do
 20 you want to take a one-hour lunch break at
 21 this point?
 22 MR. KELLY: Let's take a five-minute
 23 break.
 24 MR. TRAUB: That's perfect.
 25 (Recess from the record.)

91

1 John Edmonds
 2 MR. TRAUB: Can I get you to mark
 3 this Defendants' Exhibit No. 4.
 4 (Defendants' Exhibit 4, 12/12/07
 5 Cameron, Griffiths & Pryce letter
 6 attaching their report, marked for
 7 identification.)
 8 BY MR. TRAUB:
 9 Q. Mr. Edmonds, I've just handed you
 10 what's been given to you as Defendants' Exhibit
 11 No. 4. Do you recognize this document?
 12 A. Yeah.
 13 Q. What is this document?
 14 A. It's a letter to me from Cameron
 15 Griffiths & Pryce.
 16 Q. And did you receive this document?
 17 A. Yes.
 18 Q. And when did you receive this
 19 document?
 20 A. Well, I guess at or about the -- at
 21 or about the date as set forth here, 12/12/2007.
 22 Q. Did you receive any other reports or
 23 summaries from Cameron Griffiths & Pryce
 24 regarding their audit of the books and records of
 25 the partnerships?

92

1 John Edmonds
 2 A. I don't think -- other than oral
 3 discussions had with Cameron Griffiths & Pryce at
 4 their office, I don't think I've gotten anything
 5 else.
 6 One of the things that they report
 7 to me at all times is that -- that the documents
 8 that they asked for, they had great difficulty in
 9 getting them and that not more than 40 to
 10 60 percent of them had been responded to.
 11 Q. My question was, was this the last
 12 written -- or the only written document that
 13 you've received that constitutes --
 14 A. As long as -- yeah, I don't recall
 15 receiving any other document.
 16 Q. You testified there were oral
 17 discussions that you also had with Cameron
 18 Griffiths & Pryce.
 19 A. Yes, I just stated that.
 20 Q. Were the oral discussions after you
 21 received this document or before this document?
 22 A. After. We've had several
 23 meetings --
 24 Q. Okay.
 25 A. -- at their office.

93

1 John Edmonds
 2 Q. Did your oral discussions result in
 3 any modification in any way of the information
 4 contained in that report?
 5 A. As far as I know, no.
 6 Q. So this report, then, constitutes
 7 the findings of Cameron Griffiths & Pryce as of
 8 today?
 9 MR. HAYWOODE: I'm going to object
 10 to this question because you're suggesting
 11 categories, of this witness, of something
 12 that he could not possibly know. You know,
 13 Cameron & Griffith, as we speak, are
 14 looking at records pursuant to our --
 15 MR. TRAUB: Mr. Haywoode, I'm going
 16 to remind you once again of your
 17 limitations on what you're allowed to
 18 object to under Federal Rule 30. You can
 19 give a short, concise, nonargumentative and
 20 nonsuggestive objection.
 21 MR. HAYWOODE: I'm going to follow
 22 your example from the last deposition at
 23 which you set the record straight. And as
 24 we speak, they're looking at information.
 25 So the form of the question, how can we say

24 (Pages 90 to 93)

94

96

1 John Edmonds
2 that that's the end? They're still engaged
3 in the process.
4 MR. TRAUB: Can you please read back
5 my question.
6 (Record read.)
7 A. The answer is no.
8 Q. No, you've received another --
9 A. I've said to you that I've had
10 several meetings with them as they go through the
11 auditing process at their office in which we
12 discuss what progress they've made and what
13 difficulties they're having in getting
14 information.
15 Q. And I asked you whether or not any
16 of those discussions resulted in any modification
17 of this report and you said no; is that --
18 A. That's correct.
19 Q. Okay. So other than being advised
20 that they were having problems receiving certain
21 documents --
22 A. Difficulties.
23 Q. -- difficulties receiving certain
24 documents, have they ever shared findings with
25 you other than as contained in that report?

1 John Edmonds
2 including what's in the order to show
3 cause, is letters requesting documents and
4 items, an affidavit from Cameron orally
5 saying that he didn't get all the documents
6 and items that were requested in his
7 letters in this report.
8 We've not received any other
9 information that constitutes a finding or
10 conclusion so far based on their audit.
11 Are you --
12 MR. HAYWOODE: The audit -- I would
13 object to any characterization of anything
14 they've said as a finding and conclusion
15 because they haven't seen everything. They
16 say that consistently. They say, We
17 haven't been able to --
18 MR. TRAUB: My role here today and
19 your role is not to argue with each other.
20 MR. HAYWOODE: Darren, you know I
21 wouldn't do that.
22 MR. TRAUB: I know.
23 MR. HAYWOODE: I just want to say
24 the question, the form, findings and
25 conclusions, there's no conclusion here.

95

97

1 John Edmonds
2 A. Orally, they've informed me of what
3 those findings were to date. If you take a look
4 at this, this is only one year. This is only
5 2006 they're talking about.
6 Q. So what else have they advised you
7 of that they found other than as contained in
8 this report?
9 MR. HAYWOODE: Just a second.
10 Let the record show that I have
11 provided to counsel all the reports and
12 documents in my possession from Cameron
13 Pryce and Griffith. They certainly go
14 beyond this.
15 MR. TRAUB: Actually, they don't,
16 Mel. It was this and it was five or six
17 letters requesting documents and items.
18 That was all --
19 MR. HAYWOODE: And the information
20 in the order to show cause, a complete set
21 of the letters that Cameron and Pryce --
22 MR. TRAUB: And again, it may be
23 you're misunderstanding; maybe it's me
24 that's misunderstanding.
25 What we've been provided with,

1 John Edmonds
2 BY MR. TRAUB:
3 Q. Have they shared with you any other
4 findings other than as contained in their report
5 that's been marked as Exhibit No. 4?
6 A. Orally, we've had discussions in
7 their office as to -- as to what progress they're
8 making in the examination of the books and
9 records.
10 Q. Other than them telling you that
11 they are having, to use your term, "difficulties"
12 finding or obtaining documents, have they told
13 you that they have found any other issues with
14 regards to the audit and accounting?
15 A. Yeah, they discussed those issues
16 with me orally.
17 Q. And what were those issues that they
18 discussed with you?
19 A. Essentially, the refusal of the
20 Seaveys to provide them with critical information
21 in order that they might complete the other years
22 going -- 2005, '4 and so forth and so on.
23 Q. Anything else shared with you in
24 those oral discussions?
25 A. I can't think of anything else.

25 (Pages 94 to 97)

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100

1 John Edmonds
 2 Q. Did you ever -- after obtaining the
 3 report marked as Defendants' Exhibit No. 4, did
 4 you ever share that report with the Seaveys or
 5 anyone else from Dalton Management?
 6 A. I don't recall whether I did or not.
 7 (Witness peruses the exhibit.)
 8 A. I might have spoken to Bob and said
 9 to him that -- you know, that my accountants are
 10 having a very difficult time with Phyllis and
 11 Dalton, getting information so that they can
 12 complete their audit.
 13 Q. Did you ever discuss with either the
 14 Seaveys or anyone else from Dalton the
 15 information contained in the report dated
 16 12/12/2007?
 17 A. I think I did.
 18 Q. What did you discuss with them?
 19 A. That -- that this account reflects
 20 what their auditing approach has found thus far.
 21 Q. Do you recall whether or not you
 22 actually presented them with a copy of the
 23 report?
 24 A. I think I may have given it to Bob.
 25 I'm not sure.

1 John Edmonds
 2 finish my question, just for the record. I
 3 understand that you know what I'm going to ask,
 4 but my question is, before filing this lawsuit,
 5 did you ask anyone else on your behalf to sit
 6 down with the Seaveys to discuss the findings
 7 enumerated in Defendants' Exhibit No. 4?
 8 A. I may have discussed it with Mei.
 9 And I think the position was that, you know,
 10 you're not going to get anything positive from
 11 the Seaveys, so why bother?
 12 Q. What about with anyone from Dalton;
 13 did you or any agent of yours discuss this with
 14 anyone else from Dalton?
 15 A. When I would call, I would call on
 16 104. And Dawley's on 103. He would generally
 17 end up with a call. And he was always -- to him
 18 it was a source of great humor. He was always
 19 laughing. Oh, John, in other words, what are you
 20 bothering us about again kind of thing.
 21 And so --
 22 Q. So your answer is you didn't discuss
 23 it with anyone from --
 24 A. No.
 25 Q. How about with anyone from Marks

99

101

1 John Edmonds
 2 Q. Did you ever share or discuss this
 3 report with anyone from Marks Paneth & Shron?
 4 A. I have no recollection of that.
 5 Q. Before commencing this lawsuit, did
 6 you or Cameron Griffiths & Pryce ever attempt to
 7 sit down with either -- let's start ever sit down
 8 with the Seaveys to discuss the issues concerned
 9 in Defendants' Exhibit No. 4 to see if there was
 10 an explanation or if they could be fixed?
 11 A. I testified earlier that Phyllis
 12 threatened to have me arrested if I came to that
 13 office to -- to have any discussion about Dalton
 14 and its management of the properties.
 15 Q. So is then your answer to my
 16 previous question no?
 17 A. The answer is what I gave. So no, I
 18 have not been back there because I don't want to
 19 suffer further insults. I'm a very sensitive
 20 guy.
 21 Q. Have you ever asked anyone else on
 22 your behalf to discuss this document with the
 23 Seaveys to determine whether or not --
 24 A. I have counsel and --
 25 Q. Mr. Edmonds, you have to let me

1 John Edmonds
 2 Paneth & Shron; did you or anyone on your behalf
 3 try to discuss the items contained in Defendants'
 4 Exhibit No. 4 with Marks Paneth & Shron to
 5 determine if there was an explanation behind the
 6 items?
 7 MR. HAYWOODE: Objection to form in
 8 the sense there are a series of letters
 9 from the accountants to Marks Paneth &
 10 Shron stating questions, which are in this
 11 record.
 12 Is your question directed to
 13 anything he might have said outside of that
 14 pattern, that sequence of communications,
 15 all of which is in the pleadings and all of
 16 which have been presented here?
 17 MR. TRAUB: Mr. Haywoode, again,
 18 your objection goes far beyond that that is
 19 allowed in Federal Rule 30.
 20 MR. HAYWOODE: Counsel's question is
 21 did he or anyone on his behalf ask these
 22 questions. And there are a series of
 23 documents from Cameron Pryce & Mitchell
 24 [sic] in the pleadings and presented to
 25 you, which raise the very question that I

26 (Pages 98 to 101)

102

1 John Edmonds
2 understand you to be asking him.
3 MR. TRAUB: Mei, your objection is
4 now suggestive, which violates Federal
5 Rule 30. So, Mei, I don't need a response
6 from you.
7 BY MR. TRAUB:
8 Q. Mr. Edmonds, did you understand my
9 question?
10 A. Repeat it, please.
11 Q. Did you or anyone on your behalf
12 ever try to discuss Defendants' Exhibit No. 4
13 with Marks Paneth & Shron?
14 A. It may be that the accountants
15 attempted to discuss it with them. But after I
16 retained them, you know, I was not going to
17 bother Jennings' office. Because there was
18 another situation in which some charming lady
19 would get on the phone and tell me that he was
20 out or in California or whatever.
21 Q. Turning to Defendants' Exhibit
22 No. 4, have you actually sat down with Cameron
23 Griffiths & Pryce and discussed all of the
24 information contained in this letter?
25 A. Well, the information contained in

103

1 John Edmonds
2 the letter seems to me to be restricted to 2006.
3 And if you're asking that question, the answer is
4 yes, I've had oral discussions with them, as I've
5 testified to several times this morning, at their
6 office.
7 Q. And so you understand, then, what is
8 contained in this letter?
9 A. Yes.
10 Q. If you turn to the second page of
11 their letter, the very first issue that they
12 raise is that there's an accounts payable on the
13 books and records of 181,000 as amount owing to
14 Dalton Management.
15 Do you see where I'm looking at?
16 A. Which page is this?
17 Q. It actually says page 2 at the
18 bottom, and it's Issue No. 1.
19 A. Uh-huh, yeah.
20 Q. Are you familiar with this issue?
21 A. Yes, it's the \$181,000 that are fees
22 due the partners as a result of the 6 percent
23 annual fee that you are entitled to if your
24 project is running -- up and running and there
25 are no major problems, et cetera.

104

1 John Edmonds
2 That would mean that it would be
3 3 percent each. But Phyllis and Bob are those
4 that decided to use this as -- that amount as a
5 tax write-off, and so they keep it on the record.
6 And I think every year they write it off rather
7 than to pay -- pay me my \$91,000.
8 Q. Do you have an understanding,
9 though, that if the \$181,000 is paid, that you'll
10 get \$90,500?
11 A. I have an understanding that I'm a
12 50 percent owner of the project and I would
13 insist upon that.
14 Q. So your issue, though, with respect
15 to Item No. 1 is --
16 A. Issue very simply is pay me my
17 \$91,000.
18 Q. In other words, you want -- you're
19 not claiming that 181,000 was not paid or was
20 paid inappropriately; you're claiming that it
21 remains on the books and records, but the \$90,500
22 should be paid to you?
23 A. The inappropriateness is the use of
24 a fee that belongs to me. I don't care what they
25 do with their 90 -- to benefit Dalton taxwise,

105

1 John Edmonds
2 Dalton writes it off every year.
3 Q. Have you made a demand for your
4 portion --
5 A. Several times.
6 Q. -- of the \$181,000?
7 A. Certainly.
8 Q. Did you make it in writing?
9 A. I don't know if I made it in writing
10 or not. I made the demand several times, but one
11 occasion or so I did make it in writing.
12 Q. Who did you make the demand to?
13 A. I think I sent a letter to Bob, a
14 letter to Phyllis, a letter to Dalton Management
15 and cc'd Avery and Nealie.
16 Q. What was their response when you
17 asked for this \$181,000?
18 A. I didn't ask for the \$181,000.
19 Q. Or for your portion -- sorry, you're
20 right. For your half of the \$181,000.
21 A. That -- the response is that the
22 partnership has not agreed and the fee will
23 remain a fee payable to Dalton until such time as
24 the partnership decides that this fee should be
25 paid.

27 (Pages 102 to 105)

106

1 John Edmonds
 2 Q. You were present at the deposition
 3 of Ron Dawley, were you not?
 4 A. Yes.
 5 Q. Have you reviewed the transcript of
 6 Mr. Dawley?
 7 A. No, I have not.
 8 Q. Do you recall Mr. Dawley's testimony
 9 about this \$181,000 when asked questions by your
 10 counsel, Mr. Haywoode?
 11 A. No.
 12 Q. If Mr. Dawley had testified that
 13 there was an agreement between the partners that
 14 if this money were to be paid, that it would be
 15 paid 50/50, 50 percent to you and 50 percent to
 16 the Seaveys as the other partners, but that you
 17 had insisted it remain on the books and
 18 records --
 19 A. If he testified to that, that's an
 20 absolute lie. So I don't want anything that
 21 belongs to me in the hands of the Seaveys.
 22 Q. So it's your position that this
 23 money is to be paid 50/50 to the partners and not
 24 remain on the books and records?
 25 A. That's correct.

107

1 John Edmonds
 2 THE WITNESS: Bob, do you have a
 3 check for me today?
 4 Q. Turning to --
 5 MR. SEAVEY: I know where to get it
 6 for you, but I'll have to beat her up.
 7 MR. HAYWOODE: It's on the way.
 8 You'll lose that fight.
 9 THE WITNESS: I always do.
 10 BY MR. TRAUB:
 11 Q. Mr. Edmonds, if you look actually
 12 under the subheadings under -- I guess we'll call
 13 it Issue No. 1 -- subheadings are observation,
 14 background, recommendation and then it says,
 15 "Management's response."
 16 Do you see where I'm looking? I'm
 17 back --
 18 MR. HAYWOODE: Page 2.
 19 MR. TRAUB: Page 2.
 20 MR. HAYWOODE: You're on page 2,
 21 Darren, and you're looking at management
 22 response (indicating).
 23 A. I have page 2, "Management response
 24 to [sic] not used."
 25 Q. Above the "to [sic] not used," do

108

1 John Edmonds
 2 you see how the management response is kind of a
 3 subheading under Issue No. 1?
 4 A. The recommendation?
 5 Q. Under the recommendation, see where
 6 it says -- Issue No. 1, it says, "Accounts
 7 payable Logan Plaza Associates," and the
 8 subheading that says, "Observation" that has some
 9 language, "Background" has some statements,
 10 "Recommendation" has some statements, and then it
 11 says "Management response."
 12 Have you ever received any
 13 information to fill in this management response?
 14 A. Is that the statement -- the
 15 recommendation, "The management company should
 16 ensure the proper accounting records are kept.
 17 The auditor should verify that amounts listed in
 18 the accounts payable schedule is actually due to
 19 those vendors."
 20 "The 181,000 attributed to Dalton
 21 Management Company should be requested by the
 22 appropriate account to ensure that the future
 23 remittances are made to the appropriate vendor."
 24 Q. And then there's another subheading
 25 right under that and it says, "Management

109

1 John Edmonds
 2 response," and then there's nothing after that.
 3 A. That's correct.
 4 Q. Have you ever received any response
 5 from management to fill in this information?
 6 A. The response that I've testified to
 7 earlier, and that was that Phyllis told me
 8 that -- that this amount would remain on -- on
 9 the books and records of Dalton until there's --
 10 there was an agreement by both partners that
 11 respectfully [sic] that they should get their
 12 fees. And she said -- and Avery has not agreed.
 13 Q. Have you told Cameron Griffiths &
 14 Pryce about Miss Seavey's response that you just
 15 gave?
 16 A. Yes.
 17 Q. Do you have any understanding one
 18 way or the other that the \$181,000 was money owed
 19 to a former management company?
 20 A. I have an understanding that that
 21 \$181,000 is the fee passed over to Dalton from
 22 the former management company, which fee is a
 23 part of that 4 percent that the owners are
 24 entitled to get where the project is operating
 25 efficiently and above and beyond any obligations.

28 (Pages 106 to 109)

<p style="text-align: right;">110</p> <p>1 John Edmonds</p> <p>2 Q. Turning on to Number 3 and it says,</p> <p>3 "Management fees." You see where I'm looking --</p> <p>4 A. Yes.</p> <p>5 Q. -- kind of the bottom part of</p> <p>6 page 2?</p> <p>7 A. Yeah.</p> <p>8 Q. And the issue raised in there is</p> <p>9 that Dalton Management paid itself fees that are</p> <p>10 called overages totaling \$64,052 for the three</p> <p>11 years, 2006, 2005, and 2004.</p> <p>12 Do you see where I'm reading?</p> <p>13 A. Yeah.</p> <p>14 Q. Do you agree with that statement?</p> <p>15 A. I can't agree with it. They got the</p> <p>16 books and records. How can I -- I don't know</p> <p>17 what --</p> <p>18 Q. Do you have any reason to doubt your</p> <p>19 auditor's statements?</p> <p>20 MR. HAYWOODE: Objection.</p> <p>21 A. No.</p> <p>22 MR. HAYWOODE: Objection.</p> <p>23 A. No, I don't have any reason to doubt</p> <p>24 their statement.</p> <p>25 Q. When you go to background at the</p>	<p style="text-align: right;">112</p> <p>1 John Edmonds</p> <p>2 Q. Have they told you any other issues</p> <p>3 with regards to Issue No. 3 regarding management</p> <p>4 fees of Church Homes?</p> <p>5 A. Church Homes, I thought we were</p> <p>6 talking about Logan.</p> <p>7 Q. If you look at Issue No. 3, it says,</p> <p>8 "Management fees for Church Home Associates."</p> <p>9 A. Okay.</p> <p>10 Q. Have they told you any other issues</p> <p>11 with management fees for Church Home Associates?</p> <p>12 A. They're continuing their</p> <p>13 examination. That's all they said to me. This</p> <p>14 is what they've -- in 2000 -- in their</p> <p>15 examination of the 2006 records, this is what</p> <p>16 they found. And this is -- they're continuing to</p> <p>17 look at the books and records.</p> <p>18 Q. But as of today, they haven't told</p> <p>19 you of any other issues that they have found thus</p> <p>20 far with respect to management fees of Church</p> <p>21 Home Associates?</p> <p>22 A. Orally, they have discussed with me</p> <p>23 their findings as they go along.</p> <p>24 Q. Have they told you about any</p> <p>25 findings that they have found with regards to</p>
<p style="text-align: right;">111</p> <p>1 John Edmonds</p> <p>2 very bottom of page 2, it says, "In an attempt to</p> <p>3 address the overpayments, the management company</p> <p>4 set up a receivable for the 44,675, which was</p> <p>5 credited to the current year's expense. This</p> <p>6 resulted in a partial reimbursement."</p> <p>7 MR. HAYWOODE: Just one second. Are</p> <p>8 you reading the entire statement?</p> <p>9 BY MR. TRAUB:</p> <p>10 Q. -- "and an understatement of current</p> <p>11 year management fee."</p> <p>12 Do you see where I'm reading?</p> <p>13 A. Yes.</p> <p>14 Q. Have you discussed this issue with</p> <p>15 Cameron Griffiths & Pryce?</p> <p>16 A. In oral discussions, yes.</p> <p>17 Q. And what did they tell you about</p> <p>18 this issue?</p> <p>19 A. Just what they put here.</p> <p>20 Q. And their recommendation is that the</p> <p>21 management make an additional reimbursement of</p> <p>22 approximately 69,634 for payment in excess of</p> <p>23 what is permitted by the management contract; is</p> <p>24 that correct?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">113</p> <p>1 John Edmonds</p> <p>2 management fee of Church Home Associates?</p> <p>3 A. They discuss with me the whole</p> <p>4 process used by Dalton to retain these monies.</p> <p>5 Q. Mr. Edmonds, other than the process,</p> <p>6 have they told you of any other monies that they</p> <p>7 have found that they have issue with with regards</p> <p>8 to management fee of Church Home Associates?</p> <p>9 A. This report tells me what they have</p> <p>10 found thus far.</p> <p>11 Q. So the answer then is, other than</p> <p>12 what's in this report, they've not told you any</p> <p>13 other issues orally with regards to -- any issues</p> <p>14 or with regards to management fees --</p> <p>15 A. I told you, they've discussed with</p> <p>16 me --</p> <p>17 Q. Problems finding --</p> <p>18 A. -- problems and so forth and so on.</p> <p>19 For instance, they have indicated to me that --</p> <p>20 you know, we've asked them for these specific</p> <p>21 things, and he would name a few of the items.</p> <p>22 And he says, We have not been able</p> <p>23 to get them, and we're continuing to attempt to</p> <p>24 get those.</p> <p>25 Q. Turning to Issue No. 4, the audit</p>

29 (Pages 110 to 113)

114

1 John Edmonds
 2 fee for Church Homes, it says that the issue that
 3 they've found --
 4 MR. HAYWOODE: Page 3.
 5 THE WITNESS: Uh-huh.
 6 Q. -- the issue that they found was
 7 that \$41,769 was paid for audit services of
 8 Church Homes and that they believe that it
 9 exceeded the contracted amount by 17,769 plus
 10 2,000 accrued to be paid in a subsequent period.
 11 Do you see where I'm looking at?
 12 A. Yeah.
 13 Q. Are you contesting the services
 14 received by Church Home Associates or just the
 15 amount that was paid?
 16 A. Well, Church Home Associates is a
 17 project in which Seavey owns 25 percent, I own
 18 25 percent, the limited partner owns 50 percent.
 19 We purchased that mortgage in 2006, I believe,
 20 for 2 million -- each party paid -- 25 percent
 21 investment was \$2,100,000.
 22 Seavey put up that amount. I put up
 23 that amount. And I know Seavey thought I
 24 wouldn't have the money, but I did have it.
 25 Q. Are you sure you're not confusing

115

1 John Edmonds
 2 that with Charles Hill Associates?
 3 A. The Church Home? Yes, I am
 4 confusing that -- I am. I'm talking about
 5 Charles Hill, yes.
 6 Q. So Charles Hill -- you do not own
 7 25 percent of Church Home Associates; is that
 8 correct?
 9 A. I don't think either of the managing
 10 general partners do.
 11 Q. So your last testimony about the
 12 25 percent and 25 percent and then the limited
 13 owning the remainder, that was with regards to
 14 Charles Hill and not Church Home?
 15 A. That's correct, that's correct, not
 16 Church Home.
 17 Q. So my question with regard to the
 18 audit fee of Church Homes, are you contesting the
 19 actual audit services received or just that you
 20 believe that there was a 17,769 overpayment other
 21 than what was due under the contract?
 22 A. I'm contesting the process used by
 23 the Seaveys to pay obligations of theirs of a
 24 management company, and the business of using
 25 fees that belong to the partnership to pay for

116

1 John Edmonds
 2 these services.
 3 Q. And so --
 4 MR. HAYWOODE: My objection, for the
 5 record, the statement you just read,
 6 Darren, says audit expense for 2006
 7 exceeded the contracted amount of 17,769,
 8 plus 2,000 accrued to be paid in a
 9 subsequent period. That was the full
 10 statement. You asked him about the 17,000,
 11 but not the 2,000.
 12 MR. TRAUB: I believe that I
 13 actually read the full statement into the
 14 record. And my question to him had nothing
 15 to do with the payment, but it had to do
 16 with are you contesting the services
 17 received or are you contesting the alleged
 18 overpayment of those services.
 19 MR. HAYWOODE: But you said 17,769.
 20 You did not add the 2,000.
 21 BY MR. TRAUB:
 22 Q. Mr. Edmonds, do you understand my
 23 question?
 24 A. Am I contesting --
 25 Q. With regard to the issue of audit

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1 John Edmonds
 2 fee for Church Homes Associates that's discussed
 3 in Item No. 4 on page 3 of Defendants' Exhibit
 4 No. 4, is the issue with regard to the audit
 5 services received or is the issue with respect to
 6 the alleged overpayment for these audit services?
 7 A. The issue, sir, for the 20th time,
 8 is the objection I have to the Seaveys'
 9 management control of these -- the dollars,
 10 including Church Home, that result in issuing
 11 monies paid to Dalton Management that Dalton
 12 Management is not entitled to.
 13 Q. Mr. Edmonds --
 14 A. I don't care -- I don't know how
 15 they used the money.
 16 Q. This will go a lot faster today,
 17 meaning this deposition, if you listen to the
 18 question that I'm asking and you respond to that
 19 question.
 20 My question has to do, not with your
 21 issue with regards to your lawsuit, with regards
 22 to Issue No. 4 specified in this. With regards
 23 to this --
 24 A. For me, Mr. Traub, it's a report of
 25 the auditors. And this report only continues to

30 (Pages 114 to 117)

118	120
<p>1 John Edmonds</p> <p>2 reflect the quality of abuse that I'm talking</p> <p>3 about. That's how I view it.</p> <p>4 Q. So your issue then is that you</p> <p>5 believe --</p> <p>6 A. I've answered you, Mr. Traub. I</p> <p>7 don't want you to give me an answer. You know,</p> <p>8 I've answered your question.</p> <p>9 Q. With all due respect, Mr. Edmonds,</p> <p>10 you have not, and I think that the record will</p> <p>11 reflect that. But I'll move on.</p> <p>12 MR. HAYWOODE: Object to it as</p> <p>13 argumentative.</p> <p>14 BY MR. TRAUB:</p> <p>15 Q. With regard to the salaries and</p> <p>16 office expenses, which is the issue raised in</p> <p>17 Number 5 at the bottom of page 3 --</p> <p>18 Do you see that?</p> <p>19 A. Yes, what about it?</p> <p>20 Q. -- what discussions have you had</p> <p>21 with Cameron Griffiths & Pryce regarding the</p> <p>22 salaries and office expenses --</p> <p>23 A. Look, I've answered that a thousand</p> <p>24 times. I've said to you that the discussions</p> <p>25 are, in connection with that, the business of</p>	<p>1 John Edmonds</p> <p>2 the pockets of Dalton Management Company as a</p> <p>3 matter of practice.</p> <p>4 Q. And my question to you, Mr. Edmonds,</p> <p>5 was, before you filed your complaint and before</p> <p>6 you signed your affidavit in support of the order</p> <p>7 to show cause, did you in fact review the</p> <p>8 documents and contracts attached to your</p> <p>9 affidavit?</p> <p>10 A. I probably did, yeah. I probably</p> <p>11 would have, sure.</p> <p>12 Q. Let's just skip the formalities and</p> <p>13 turn to this.</p> <p>14 MR. TRAUB: Can you mark this as</p> <p>15 Defendants' Exhibit No. 5,</p> <p>16 (Defendants' Exhibit 5, Affidavit in</p> <p>17 Support of Order to Show Cause, marked for</p> <p>18 identification.)</p> <p>19 BY MR. TRAUB:</p> <p>20 Q. Actually, let me take that back for</p> <p>21 one second and get you a clean copy.</p> <p>22 MR. TRAUB: Can we take a</p> <p>23 five-minute break? Let's break for lunch</p> <p>24 now. This would be a good time. It's</p> <p>25 almost one o'clock.</p>
119	121
<p>1 John Edmonds</p> <p>2 Dalton placing their employees on the payroll of</p> <p>3 the partnership rather than of the management</p> <p>4 company.</p> <p>5 Q. Mr. Edmonds, before you filed this</p> <p>6 lawsuit and you served it as a verified complaint</p> <p>7 and before you filed your affidavit in support of</p> <p>8 the order to show cause, did you review all of</p> <p>9 the contracts with Dalton Management?</p> <p>10 A. I've said to you earlier I could not</p> <p>11 review all of the contracts because they were not</p> <p>12 made available to me.</p> <p>13 Q. What about all of the contracts that</p> <p>14 you attached as exhibits to your affidavit; did</p> <p>15 you review all of those contracts?</p> <p>16 A. I don't remember whether I did or</p> <p>17 not.</p> <p>18 Q. So you didn't check to see whether</p> <p>19 or not those contracts state --</p> <p>20 A. Mr. Traub --</p> <p>21 Q. Again, Mr. Edmonds --</p> <p>22 A. I -- I want to be very plain, if I</p> <p>23 can again. And that is that my objection is to</p> <p>24 the process followed by the Seaveys in gaining</p> <p>25 control and in -- in putting excessive monies in</p>	<p>1 John Edmonds</p> <p>2 MR. KELLY: Is that okay with</p> <p>3 everybody?</p> <p>4 MR. TRAUB: Why don't we come back</p> <p>5 at two o'clock.</p> <p>6 THE WITNESS: How long do you expect</p> <p>7 to go today?</p> <p>8 (Luncheon recess from the record.)</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

31 (Pages 118 to 121)

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122

124

1 John Edmonds
 2 AFTERNOON SESSION
 3 (1:51 p.m.)
 4 JOHN EDMONDS,
 5 having been previously sworn, resumed the
 6 stand and testified further as follows:
 7 EXAMINATION (Cont'd.)
 8 BY MR. TRAUB:
 9 Q. Mr. Edmonds, before we move on,
 10 Defendants' Exhibit No. 4, which is the
 11 investigative report as of 12/12/2007 from
 12 Cameron Griffiths & Pryce, is this the report
 13 that forms the basis for your complaint with
 14 respect to inaccuracies in the auditing of the
 15 partnerships' books and records?
 16 A. I think that it will be necessary
 17 for these accountants to do the investigation
 18 that I have retained them to do in order that we
 19 can go forward with proof of our case.
 20 Q. But for the actual monies and
 21 statements made in your complaint, other than for
 22 difficulties to get documents, which you stated
 23 earlier, it's Defendants' Exhibit No. 4 that
 24 makes up the basis for those -- or contains all
 25 Cameron Griffiths & Pryce's findings to date?

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125

1 John Edmonds
 2 A. I don't know whether that's accurate
 3 or not. At least as of the time when they gave
 4 me this report, this was -- this was how far they
 5 had been able to go.
 6 Q. And as of the time that your
 7 complaint was written, this is all you had
 8 received from the auditors; is that correct?
 9 MR. HAYWOODE: I'm going to object
 10 to the form. There are a series of letters
 11 here. Counsel has seen them. They predate
 12 this report. All of those came to the
 13 client, obviously.
 14 MR. TRAUB: Mel, Number 1, if that's
 15 the case, he can answer to that extent. I
 16 don't need you telling him what my question
 17 means. And there's nothing inappropriate
 18 about my question if there are such
 19 letters.
 20 Q. So Mr. Edmonds, other than the
 21 letters requesting other documents, is this the
 22 statement that makes up the basis for your
 23 complaint?
 24 A. I've told you earlier that --
 25 MR. HAYWOODE: Objection to form.

1 John Edmonds
 2 A. -- that the basis for my complaint
 3 is the conduct of the Seaveys and their
 4 management company in connection with the
 5 management of these four properties.
 6 Q. And what you stated earlier was that
 7 that conduct, as you understand it, is to be that
 8 they paid Dalton employees directly from the
 9 partnerships?
 10 A. That's one of the -- one of the
 11 basis for the complaint.
 12 Q. What are the others?
 13 A. I cannot be specific about that
 14 because the accountants are continuing their
 15 investigation --
 16 Q. But as of the date of the
 17 complaint --
 18 MR. HAYWOODE: Darren --
 19 Were continuing their investigation.
 20 A. -- and I expect that they will find
 21 a series of defalcations and abuses that would be
 22 the basis for proceeding with respect to this
 23 matter.
 24 Q. As of the date that you filed the
 25 complaint, had they notified you of any

32 (Pages 122 to 125)

126

128

1 John Edmonds
 2 A. I've indicated to you that -- that
 3 this --
 4 Q. "This," you mean Defendants' Exhibit
 5 No. 4?
 6 A. Yes, this report was what they --
 7 they had found for the year 2006.
 8 Q. And so that report for what they
 9 found for the year 2006 formed the basis for your
 10 complaint as of June 23, 2008?
 11 MR. HAYWOODE: My objection is that
 12 the complaint will speak for itself.
 13 The witness may answer.
 14 A. The answer is that -- that the
 15 complaint was filed as a result of my decision to
 16 go forward with this -- this action in view of
 17 the kind of responses that I was getting from the
 18 Seaveys.
 19 MR. TRAUB: Can I mark this as
 20 Defendants' Exhibit No. 6.
 21 (Defendants' Exhibit 6, Verified
 22 Complaint, marked for identification.)
 23 BY MR. TRAUB:
 24 Q. I'm also handing you what's been
 25 marked as Defendants' Exhibit No. 5 and 6.

127

1 John Edmonds
 2 MR. HAYWOODE: I was wondering where
 3 5 was. Okay. 5, Darren, is --
 4 MR. TRAUB: It's marked --
 5 MR. HAYWOODE: Oh, I'm sorry.
 6 MR. TRAUB: I made a --
 7 MR. HAYWOODE: Okay.
 8 Q. Mr. Edmonds, if you turn with me
 9 first to Defendants' Exhibit No. 6, and that's
 10 the complaint. And if you turn to the
 11 second-to-last page in Defendants' Exhibit
 12 No. 6 --
 13 A. Page numbered what?
 14 Q. It actually is unnumbered. It comes
 15 out to page 48. You just had your hand on it.
 16 It has your signature, or what appears to be your
 17 signature. The next page. The next page.
 18 MR. HAYWOODE: The other way.
 19 A. Yeah, uh-huh.
 20 Q. Mr. Edmonds, is that in fact your
 21 signature?
 22 A. Yes, it is.
 23 Q. And can you read the paragraph that
 24 your signature is attesting to.
 25 A. "I, John L. Edmonds, have read the

1 John Edmonds
 2 foregoing summons and complaint and know the
 3 contents thereof and the same is true to my own
 4 knowledge except as to matters therein stated to
 5 be true on information and belief. And as to
 6 those matters, I believe it to be true."
 7 Q. Before you signed this verification,
 8 did you read through the verified complaint?
 9 A. Yes, I did.
 10 Q. And did you agree with all of the
 11 statements in the verified complaint?
 12 A. My counsel prepared the complaint.
 13 I obviously agreed with them because I signed the
 14 complaint.
 15 Q. If you turn with me to page 18 and
 16 you look at the second paragraph in 18, the one
 17 that says "Over a period of one year."
 18 Do you see where I'm looking?
 19 A. Yes.
 20 Q. It says, "Over a period of one year
 21 in which plaintiff's auditors attempted to review
 22 the accounts for business tax year 2006, Dalton
 23 was unable to supply fundamental support
 24 information for the revenues or expenditures of
 25 that year from the information contained in its

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1 John Edmonds
 2 general ledgers.
 3 "Plaintiff's auditors found Dalton
 4 Management and Marks Paneth & Shron's financial
 5 records for the housing developments disclosed an
 6 approximately \$4 million discrepancy between
 7 claimed expenses and any documented support from
 8 which those figures could be verified in 2006."
 9 Do you agree with that statement?
 10 A. Yes, I do.
 11 Q. And where are you getting the basis
 12 for your --
 13 MR. HAYWOODE: Again, my objection
 14 is, your question to him does he agree with
 15 it -- this is received information. You
 16 know --
 17 MR. TRAUB: Mel, he verified this in
 18 a complaint.
 19 MR. HAYWOODE: Well, to the extent
 20 that that verification --
 21 BY MR. TRAUB:
 22 Q. Mr. Edmonds --
 23 MR. HAYWOODE: -- is not
 24 exhaustive --
 25 A. No, sir, I did not ever sign at any

33 (Pages 126 to 129)

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1 John Edmonds
 2 time a false statement for anyone --
 3 MR. HAYWOODE: Knowingly.
 4 A. -- okay?
 5 Q. Thank you.
 6 So what is the basis for your
 7 signing a verified complaint that states that
 8 your auditors disclose an approximately
 9 \$4 million discrepancy between the claimed
 10 expenses and any document supported from which
 11 these figures could be verified in 2006?
 12 A. The basis for that statement would
 13 be the conferences that I had with these
 14 auditors.
 15 Q. Well, now, earlier when I asked you
 16 about the conferences that you had with the
 17 auditors, you told me that nothing was added
 18 substantively than is found in Defendants'
 19 Exhibit No. 4 and that those conferences had to
 20 do with their -- I'm sorry, your word was
 21 "difficulty" in obtaining papers.
 22 MR. HAYWOODE: Objection.
 23 Not the witness' testimony as
 24 characterized.
 25 A. Mr. Traub, let me tell you this --

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1 John Edmonds
 2 Q. It's Traub with an R.
 3 A. Traub.
 4 Q. Yes.
 5 A. Mr. Traub, let me tell you this: I
 6 signed this complaint. I believe it to be true
 7 and that's the reason I signed it. All right?
 8 Now, if you're asking me did you
 9 check this, did you check that, did you do this,
 10 did you look at that, did you check this, the
 11 answer is no. I used what information I had and
 12 signed the complaint or this affidavit as -- as
 13 set forth in the complaint.
 14 Q. Did your auditors orally tell you
 15 that they found \$4 million of --
 16 A. I answered that question -- I've
 17 answered that question for you a thousand times.
 18 Q. But my question specifically,
 19 Mr. Edmonds, which has never been asked today,
 20 was, did you --
 21 A. That's not true. It was asked
 22 earlier. That same question was asked earlier.
 23 Q. The record will reflect what the
 24 record reflects. And that's incorrect.
 25 My question for you --

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1 John Edmonds
 2 MR. HAYWOODE: Darren, I recall
 3 specifically giving you a document at the
 4 deposition of William Jennings --
 5 MR. TRAUB: Mel, your statements --
 6 MR. HAYWOODE: -- which had this
 7 information in it, which talked about it
 8 and set up in categories the amount of
 9 money.
 10 MR. TRAUB: Mel --
 11 MR. HAYWOODE: Now, again, that's
 12 why I'm objecting to the form of these
 13 questions --
 14 MR. TRAUB: But, Mel --
 15 MR. HAYWOODE: -- because you're
 16 trying it to what he said or may have said
 17 orally, but there are papers you have which
 18 show it isn't so.
 19 MR. TRAUB: And the papers that you
 20 gave us at Bill Jennings' deposition is
 21 Exhibit No. 4; is that correct?
 22 MR. HAYWOODE: I have no
 23 recollection as we sit here what number it
 24 was, but I do remember the document as
 25 vividly as if it were before me. And it

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1 John Edmonds
 2 talked about an impact risk analysis or
 3 something like that, and it talked about
 4 the discrepancies that you're asking him
 5 about.
 6 MR. TRAUB: Can I finish asking the
 7 witness questions?
 8 MR. HAYWOODE: My objection to the
 9 form of the question. It mischaracterizes,
 10 obviously, the documents that you have.
 11 MR. TRAUB: Let me ask my question
 12 again, Mel. I want you to listen to it
 13 this time as well, because it has nothing
 14 to do with documents.
 15 MR. HAYWOODE: Okay. Go ahead.
 16 BY MR. TRAUB:
 17 Q. My question Mr. Edmonds, is, did
 18 Cameron Griffiths & Pryce orally ever tell you
 19 that they found a \$4 million discrepancy when
 20 reviewing the partnerships' books and records in
 21 2006?
 22 A. They told me as they approach an
 23 analysis of the problems, it would come to
 24 approximately that amount of money.
 25 Q. They did tell you that?

34 (Pages 130 to 133)

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1 John Edmonds
 2 A. I believe they did, yes.
 3 Q. And which of the accountants told
 4 you that?
 5 A. I don't remember. I've never had a
 6 meeting with an individual accountant. I've had
 7 meetings with the team.
 8 Q. When you turn to page 47 of your
 9 verified complaint and you look at paragraph G,
 10 which comprises part of your prayer for relief in
 11 this action, you state that you were praying "for
 12 a judgment against the defendants for money
 13 damages in an amount not yet determined as such
 14 damages are increasing, but in no event less than
 15 \$500 million, together with costs and attorneys'
 16 fees and such other further relief as this court
 17 deems proper."
 18 A. That's correct.
 19 Q. Now, what is --
 20 A. I base that statement --
 21 MR. HAYWOODE: Had you finished your
 22 question?
 23 MR. TRAUB: Yes. He was answering
 24 the question.
 25 MR. HAYWOODE: Okay.

1 John Edmonds
 2 Q. Did you review every sentence in the
 3 affidavit before you signed it?
 4 A. I read the affidavit. I don't know
 5 whether I reviewed every sentence, but I agreed
 6 with my allegations in that affidavit.
 7 Q. Before signing the affidavit, did
 8 you do any independent verification of the
 9 information contained in your affidavit?
 10 A. What independent verification could
 11 I do? They have all of the books and records.
 12 Q. For instance, did you read all of
 13 the contracts specified and referred to in your
 14 affidavit?
 15 A. I could not read all of them. I --
 16 MR. HAYWOODE: Objection.
 17 Unless counsel states a time. He
 18 may have read some of these things 20 years
 19 ago. I don't know. You're saying did he
 20 read them, what, before signing that
 21 document? Is that your question?
 22 MR. TRAUB: Yes.
 23 MR. HAYWOODE: Did he read it at the
 24 time?
 25

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137

1 John Edmonds
 2 A. What I believe to be the value of
 3 the four projects as of that time.
 4 Q. Has the four projects -- it's your
 5 contention that the four projects have been
 6 wholly taken from you by the defendants?
 7 A. Yes.
 8 Q. I'd like you to turn with me now to
 9 your affidavit, which is Defendants' Exhibit
 10 No. 5. And I'll start off by asking you, if you
 11 look at page 27 --
 12 A. Page 24 -- yes.
 13 Q. Do you recognize that signature?
 14 A. Yes, I do.
 15 Q. Whose signature is that?
 16 A. It's my signature.
 17 Q. Did you read this entire affidavit
 18 before --
 19 A. Yes, I did.
 20 Q. Did you actually write this
 21 affidavit?
 22 A. No, I did not prepare the affidavit.
 23 Q. But you thoroughly reviewed the
 24 affidavit?
 25 A. I reviewed the affidavit.

1 John Edmonds
 2 BY MR. TRAUB:
 3 Q. Before signing your document --
 4 MR. HAYWOODE: No, "before" means at
 5 any time before --
 6 MR. TRAUB: Let me --
 7 MR. HAYWOODE: -- in the last 20
 8 years.
 9 MR. TRAUB: No, you have got to let
 10 me finish my statement.
 11 MR. HAYWOODE: Go ahead.
 12 Q. Before signing your affidavit, did
 13 you do any independent verification of the
 14 language contained in here, such as reading an
 15 entire agreement that's referred to in your
 16 document, to determine whether or not the
 17 language contained in your affidavit is in fact
 18 reflected in that document?
 19 A. And I'll --
 20 MR. HAYWOODE: Objection to form.
 21 The witness can answer if he
 22 understands the question.
 23 A. I will answer in the same way that I
 24 answered earlier, and that is that I reviewed the
 25 affidavit. And on the basis of my review of the

35 (Pages 134 to 137)

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140

1 John Edmonds
 2 affidavit and the information that was flowing to
 3 me, I believe the complaint to be accurate and,
 4 on that basis, I signed it.
 5 Q. If you turn with me to page 23, and
 6 specifically looking at paragraph No. 32.
 7 Will you read the first sentence for
 8 the record, please.
 9 A. I said, "Defendant Dalton has
 10 refused to produce" --
 11 Q. No, page 23, paragraph 32.
 12 A. Paragraph 32.
 13 "There's no provision in the
 14 management agreements between defendant Dalton
 15 and the partnerships to pay the salaries of
 16 defendant Dalton's employees, including defendant
 17 Dawley, who was paid \$140,000 in 2006 from the
 18 partnerships' rent revenues. In fact, the
 19 management agreement" --
 20 Q. Let's stop, just with the first
 21 sentence. And you cite to an Exhibit Q; is that
 22 correct?
 23 A. Yeah.
 24 Q. Okay. Now, when you turn to -- I
 25 apologize.

139

1 John Edmonds
 2 Let's start this way: The
 3 management agreement that you're testifying to
 4 you've attached as Exhibit G. Can you turn with
 5 me to Exhibit G?
 6 A. Where is it? What page?
 7 MR. HAYWOODE: It's in the back
 8 (indicating).
 9 (Pause from the record.)
 10 Q. Exhibit G is a housing management
 11 agreement dated January 3, 2000. This one is for
 12 Church Home Associates.
 13 (Witness peruses the exhibit.)
 14 Q. Mr. Edmonds, am I to understand from
 15 your testimony earlier that you didn't fully read
 16 through this housing management agreement at the
 17 time that you signed the affidavit? Is that
 18 correct?
 19 MR. HAYWOODE: Objection. That is
 20 not the witness' testimony.
 21 A. I said I read it fully, I understood
 22 it, I discussed it with my counsel, and it's my
 23 testimony that the allegations are correct and
 24 truthful.
 25 Q. Okay. If you'll turn with me -- if

1 John Edmonds
 2 you keep your finger there and you flip back to
 3 Exhibit -- I'm sorry, page 23, paragraph 32, I
 4 don't want you to lose the Exhibit G.
 5 A. Page 23?
 6 Q. Uh-huh. Again, paragraph 32.
 7 A. Yeah.
 8 Q. You reference paragraph 161 of the
 9 Church Home Associates' management agreement. Do
 10 you see where I'm looking?
 11 A. I said, "See Exhibit Q," according
 12 to --
 13 Q. No, keep going.
 14 A. Records and reports.
 15 Q. You say, "In fact, the management
 16 agreements between defendant Dalton and the
 17 partnerships provide," then it has "records and
 18 reports," and then you cite to --
 19 A. "Including but not limited to the
 20 cost of office supplies and" -- "will be borne by
 21 the agent out of his own funds and will not be
 22 treated as project expenses."
 23 Q. So you're referring to paragraph 161
 24 of Exhibit G; is that correct?
 25 A. Yes.

141

1 John Edmonds
 2 Q. Now, can you read the very first
 3 clause of Exhibit I, how it begins, please.
 4 A. Begins what, records and reports?
 5 Q. Where it says, "Except" --
 6 A. "Except as otherwise provided in
 7 this agreement."
 8 Q. Let me ask you a question.
 9 Before you signed your affidavit,
 10 did you look to determine if there was any other
 11 language in this agreement that related to
 12 payment of salaries of defendant Dalton's
 13 employees?
 14 A. I went through this agreement. I
 15 believe it to be true. And I used that
 16 information and the information that I was
 17 receiving from the accountants.
 18 Q. Okay. If you can now turn back to
 19 Exhibit --
 20 A. No -- we're not going to get
 21 anywhere with this -- this case is not going to
 22 turn on the basis of whether I remembered line 2
 23 of page 3. It's not going to turn on that basis.
 24 Q. Mr. Edmonds, do me a favor --
 25 MR. HAYWOODE: Unfortunately there

36 (Pages 138 to 141)

142

144

1 John Edmonds
2 are other judges -- I forgot what I was
3 going to say.
4 MR. TRAUB: There's no question
5 pending, so there's no objection for you to
6 be making right now.
7 MR. HAYWOODE: My objection to your
8 last question, because you're referring to
9 another section of the contract and asking
10 him if he read the other section of the
11 contract.
12 And my objection is, there's no
13 foundation that whatever other section
14 you're referring to says something
15 different from what he's reading there.
16 MR. TRAUB: Mel, this is --
17 MR. HAYWOODE: Lay the foundation
18 and then he can answer the question.
19 MR. TRAUB: Mel, when you read the
20 transcript, you'll see I didn't ask him if
21 he read a specific section. I asked him if
22 he read through any agreement to make sure
23 that no other section --
24 MR. HAYWOODE: So you're saying any
25 other agreement anywhere?

1 John Edmonds
2 MR. HAYWOODE: Is there any
3 particular spot, Darren, on page 5 that you
4 want him to look at?
5 MR. TRAUB: Let's look at 13B.
6 A. Page 5, 13D?
7 Q. B as in boy.
8 A. B?
9 Q. Uh-huh.
10 A. It begins by reading, "The owner
11 will reimburse the agent for compensation
12 including fringe benefits payable to frontline
13 management employees, such as a project manager,
14 clerical and bookkeeping personnel and the
15 maintenance employees, resident superintendents
16 and the social services director, where
17 applicable, and for all security, taxes,
18 employment insurance and Workmen's Compensation
19 insurance."
20 Q. I think you skipped a part. It
21 says, "All local state and federal taxes and
22 assessments."
23 MR. HAYWOODE: I don't -- well --
24 A. And for all local, state and federal
25 taxes and assessments, yes.

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145

1 John Edmonds
2 MR. TRAUB: My question was, did he
3 read through this agreement -- it says,
4 "Except as otherwise provided in this
5 agreement."
6 My question was, did he read through
7 that agreement to make sure there was no
8 other section that related to his
9 statements in paragraph 32.
10 MR. HAYWOODE: And his answer --
11 MR. TRAUB: And his --
12 MR. HAYWOODE: -- was, I went
13 through it.
14 MR. TRAUB: His answer was, I went
15 through it, correct.
16 BY MR. TRAUB:
17 Q. Now, I'm asking you, please, to turn
18 back to Exhibit G.
19 A. What page is Exhibit G?
20 Q. It's one where you should be holding
21 your finger on.
22 THE WITNESS: Is this G?
23 MR. HAYWOODE: Yes.
24 Q. And specifically if you'll turn with
25 me to page 5 of Exhibit G.

1 John Edmonds
2 Q. And then it continues. You can
3 continue, please.
4 A. "Such reimbursements will be paid
5 out of the rental agency's account and will be
6 treated as project expenses. For this purpose,
7 the rental value of any dwelling unit furnished
8 rent-free to the resident superintendent will not
9 be considered a part of his compensation, but
10 will be treated as a project expense."
11 Q. And Mr. Edmonds, had you read this
12 paragraph before you signed --
13 A. Yes, I did.
14 Q. -- the affidavit --
15 A. Yes, I did. I'll repeat. I read
16 all of the paragraphs. I read with the
17 assertions I've made here.
18 Q. Paragraph 13B, though, specifically
19 states that "The owner," which is the project
20 owner, in this case I believe it's Church Homes
21 because that's this management agreement, "will
22 pay out of their rental agency account for
23 compensation" --
24 A. That was an agreement --
25 Q. Hold on, Mr. Edmonds. Let me finish

37 (Pages 142 to 145)

146

1 John Edmonds
 2 my statement. You're interrupting.
 3 -- "for compensation payable to
 4 frontline management employees."
 5 That seems to state that the owner
 6 will pay for, directly out of his rental agency
 7 account, the salary of Dalton's employees, does
 8 it not?
 9 MR. HAYWOODE: Objection.
 10 There's no foundation in what you
 11 just read for the question that you just
 12 put.
 13 BY MR. TRAUB:
 14 Q. Mr. Edmonds, does it not?
 15 A. Yes. And that's -- that -- this
 16 citation reflects for me and the reason it's
 17 cited here is the quality of abuse that the
 18 Seaveys have -- have done in this case. If they
 19 made the arrangement to do this, then that
 20 arrangement must have been made with his nephew.
 21 Q. Okay. If you'll turn with me --
 22 MR. HAYWOODE: For the record,
 23 Darren, are you saying that 13B says
 24 something different from the first
 25 paragraph?

147

1 John Edmonds
 2 MR. TRAUB: Mel, I'm not
 3 responding -- again, I'm not here for a
 4 deposition. And there's no question
 5 pending on the table, Mel.
 6 MR. HAYWOODE: Well, the question
 7 presupposes that there's some difference --
 8 MR. TRAUB: Mel.
 9 MR. HAYWOODE: -- between the two
 10 paragraphs.
 11 MR. TRAUB: What you're doing right
 12 now is inappropriate.
 13 MR. HAYWOODE: Note my objection to
 14 form.
 15 MR. TRAUB: The question was asked
 16 and it was answered. There was no question
 17 pending for you to object to. Once again,
 18 Mel, your objection is inappropriate under
 19 the federal rules, and I need you to please
 20 conduct yourself in accordance with those.
 21 MR. HAYWOODE: Again, my objection
 22 for the record is as to form.
 23 MR. TRAUB: That's it.
 24 MR. HAYWOODE: The question
 25 presupposes a difference between the two --

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1 John Edmonds
 2 MR. TRAUB: No, you're entitled to
 3 make objection to form, period. You're not
 4 entitled to make an argument or a
 5 suggestion. And if you continue doing
 6 this, Mel, if you continue acting like
 7 this, we're going to have to involve the
 8 court. Because this is not appropriate
 9 under the federal rules.
 10 MR. HAYWOODE: Once again, I made no
 11 argument for the record. I made no legal
 12 argument. I simply pointed out where the
 13 form objection lies; that's it.
 14 MR. TRAUB: I'll cite you one more
 15 time, "An objection must be stated
 16 concisely, in a nonargumentative and
 17 nonsuggestive manner."
 18 There's nothing in there about legal
 19 or anything. Your objection is both
 20 argumentative and suggestive and,
 21 therefore, opposite to what is provided in
 22 the federal rules.
 23 So I don't need a response from you.
 24 There's no question pending to Mr. Edmonds,
 25 and that's who my questions are going to

149

1 John Edmonds
 2 today.
 3 BY MR. TRAUB:
 4 Q. Mr. Edmonds, if you'll turn with me
 5 to paragraph 2 -- I'm sorry, page 2, paragraph 3
 6 of your affidavit, which is Exhibit No. 5.
 7 Do you see where I'm looking?
 8 A. Yes.
 9 Q. You state that "Since May 16, 2007,
 10 more than one year ago, defendant Dalton and the
 11 other defendants named herein have repeatedly,
 12 persistently and without explanation or cause
 13 refused to produce to plaintiff and his auditors
 14 the financial records in their possession in
 15 connection with defendant Dalton's management and
 16 operation of the partnerships' housing
 17 developments named herein in which plaintiff is a
 18 managing general partner and has substantial
 19 financial interest and ownership in these
 20 properties."
 21 Do you see where I'm reading?
 22 A. Yes.
 23 Q. Isn't it true, though, that your
 24 auditors were at defendant Dalton for almost six
 25 months obtaining and reviewing records and

38 (Pages 146 to 149)

150

1 John Edmonds
2 documents?
3 MR. HAYWOODE: Objection to the form
4 as to what is meant by at the auditors for
5 almost six months.
6 MR. TRAUB: At Dalton.
7 MR. HAYWOODE: At them for six
8 months? Did they reside with them? I
9 mean, I don't know.
10 MR. TRAUB: Mel, your objection --
11 MR. HAYWOODE: That's my objection
12 as to form.
13 MR. TRAUB: Thank you.
14 MR. HAYWOODE: What does that
15 question mean?
16 MR. TRAUB: You're entitled to say
17 objection to form; that's it.
18 A. I answered that question before for
19 you, too, and I'll answer it again.
20 I said that the auditors reported to
21 me orally that they were having a very, very
22 difficult time getting books and records that
23 they require to do their audit from Dalton
24 Management, and that Dalton Management had a
25 setup that impeded or blocked that information.

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1 John Edmonds
2 And that setup was that Nealie would
3 sit there at the table. And when they would ask
4 for A, B or C, she would indicate whether it was
5 available or not. And if it were not available,
6 and they insisted upon it, she would then turn to
7 her mother, Phyllis, and Phyllis would then make
8 a decision. And that decision was that, Look,
9 this is all you're going to get from us.
10 Q. But you'll agree that they did get
11 something, didn't they?
12 MR. HAYWOODE: Objection.
13 A. Yeah, I guess they got something
14 because they -- for one year, for 2006.
15 Q. They certainly made enough -- got
16 enough books and documents to write their report
17 that's Defendants' Exhibit No. 4; is that
18 correct?
19 A. A report that reflects that
20 experience for the year of 2006, examination of
21 the records for the year of 2006.
22 Are you suggesting, sir --
23 MR. TRAUB: Let's mark this as
24 Defendants' Exhibit No. 7, please.
25

152

1 John Edmonds
2 (Defendants' Exhibit 7, 6/22/07
3 Letter to variety of people from John
4 Edmonds with attachments, marked for
5 identification.)
6 BY MR. TRAUB:
7 Q. Mr. Edmonds, do you recognize
8 Defendants' Exhibit No. 7?
9 A. Yes, I do.
10 Q. Is this a letter that you sent on
11 June 22, 2007?
12 A. That's correct.
13 Q. Will you please read the last
14 paragraph on the first page.
15 A. "I have been informed by my
16 accountants, who I have directed to examine the
17 books and records of all of the developments that
18 Edmonds and Seavey or the Seavey organization
19 have an interest in, that every effort to
20 frustrate the examination of the books and
21 records are being made.
22 "Books and records not available due
23 to vacation of an employee and/or books and
24 records available only at the site on Saturday.
25 This will not deter my efforts herewith."

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1 John Edmonds
2 Q. And then you continue and you
3 threaten -- you state -- I apologize. You state
4 that the examination is necessary to support the
5 RICO lawsuit which you're proposing to file; is
6 that correct?
7 A. That's correct.
8 Q. And in fact, you threaten that you
9 will -- if you don't get the documents, that you
10 will call the office of the U.S. Attorney to
11 request that their office direct the IRS to
12 conduct an investigation; is that correct?
13 A. That's correct.
14 MR. HAYWOODE: I'm sorry. May I
15 interrupt you for just a moment? You had
16 graciously said that we might do the
17 deposition here Monday, rather than at the
18 court?
19 MR. TRAUB: Yes.
20 MR. HAYWOODE: So that perhaps we'll
21 do it that way for the benefit of the
22 witnesses so they don't wind up going --
23 MR. TRAUB: Okay.
24 MR. HAYWOODE: Please go ahead.
25 MR. TRAUB: Remind me at the end so

39 (Pages 150 to 153)

154

1 John Edmonds
2 we can book an appropriate conference room.
3 A. Yes, I made that statement because I
4 knew that -- that the Internal Revenue Service
5 previously investigated Seaveys' tax filings.
6 Q. Do you know what the outcome of that
7 investigation was?
8 A. Yeah, they -- they noticed Seavey
9 that they would not proceed, but that he would be
10 required to notice everyone with an interest in
11 the partnership that -- that they had looked at
12 his books and records.
13 So for me, it would have meant that
14 maybe his accountants were smart enough or
15 experienced enough or had enough influence in the
16 IRS to permit Seavey to escape.
17 Q. So you think that the Seaveys'
18 accountants had some influence over the IRS that
19 allowed them to escape?
20 A. Well, yeah. I think, obviously, the
21 accountants or Seavey had that quality of
22 influence.
23 Q. Okay.
24 MR. HAYWOODE: Once again, Darren --
25 MR. TRAUB: Could you mark this as

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1 John Edmonds
2 Exhibit 8.
3 MR. HAYWOODE: Your phone number.
4 MR. TRAUB: (212) 592-1578.
5 (Defendants' Exhibit 8, 10/26/06
6 Letter from the IRS to Jennings with
7 attachment, marked for identification.)
8 MR. TRAUB: This will be Exhibit 8.
9 MR. HAYWOODE: This is 8.
10 BY MR. TRAUB:
11 Q. Mr. Edmonds, I've given you what's
12 marked as Defendants' Exhibit No. 8. Have you
13 seen this document before?
14 A. I don't remember seeing it, no.
15 Q. This document at least purports to
16 be a letter dated October 26, 2006, from the IRS.
17 Do you see that? And the very first line says,
18 "I've completed the examination of your return
19 for the year shown above" -- and the tax year
20 shown above is December 31, 2003 -- "and I am
21 pleased to inform you I'm proposing no change to
22 your tax return."
23 And so is it your testimony that you
24 believe that this letter was obtained by
25 influence?

156

1 John Edmonds
2 A. First of all, it doesn't -- it
3 doesn't mention Seavey at all, this letter
4 doesn't.
5 Q. If you look at the re line, it's
6 Fifth and 106th Associates, is it not?
7 A. Yes.
8 Q. So is it your testimony about the
9 IRS -- it was your understanding that the IRS did
10 an audit, but -- so is it your testimony then
11 that it's this letter that was procured by the
12 influence of Marks Paneth & Shron over the IRS?
13 A. Yeah. I believe so, yes. I believe
14 that -- that Marks Paneth & Shron have that kind
15 of relationship. They're a firm that's, what, 40
16 or 50 years old, and they deal with the Internal
17 Revenue Services all the time. And you know,
18 they -- you identify, you know, who you can deal
19 with.
20 Q. And going back --
21 A. But I mean, the issue is whether or
22 not they required Seavey to give notice to all of
23 the interested parties in the partnerships. You
24 have that letter?
25 Q. Give notice of what, Mr. Edmonds?

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1 John Edmonds
2 A. Notice of the fact that his -- that
3 the 2003 return for Fifth and 106th Street
4 Associates had been -- had been reviewed by the
5 IRS and a decision had been made to accept the
6 return.
7 Q. So is it --
8 A. Accept the return, but that Seavey
9 would be required -- and that's what he said in
10 his letter -- be required to notice all of the
11 parties interested in the partnerships of that
12 fact.
13 Q. Where in Defendants' Exhibit No. 8
14 does it state that the IRS is compelling
15 Mr. Seavey to give notice?
16 A. It does not -- it does not in any
17 way state -- make that statement; but I do know
18 that Seavey sent a letter and said in his letter
19 that the government -- in response to the IRS
20 review of the -- of the return for Fifth and
21 106th Street Associates requires that I notice
22 you of the fact that the return had been
23 investigated.
24 Q. So you did in fact then get notice
25 that the return had been investigated?

40 (Pages 154 to 157)

158

1 John Edmonds
 2 A. Yeah, from Seavey.
 3 Q. Okay. Going back --
 4 A. You --
 5 Q. Going back --
 6 A. Do you agree with that, that Seavey
 7 sent such a notice out?
 8 Q. Mr. Edmonds, going back to
 9 Defendants' Exhibit No. 7 --
 10 A. Go ahead.
 11 Q. The great part, Mr. Edmonds, about
 12 you being the plaintiff and me being the attorney
 13 is that I get to take the --
 14 A. You're back to --
 15 Q. Back to Defendants' Exhibit No. 7.
 16 And looking again at the bottom paragraph, you
 17 state that "Edmonds and Seavey, or the Seavey
 18 organization" -- they're frustrating your
 19 auditors' examination because of vacation of an
 20 employee and books and records available only at
 21 the site on Saturday; is that correct?
 22 A. That's what I was told.
 23 Q. Did you ever inform the Seaveys in
 24 writing that Nealle and Phyllis Seavey were not
 25 providing all of the documents to your

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1 John Edmonds
 2 accountants?
 3 A. I believe I did. It may have been
 4 an oral notification, but I think I probably sent
 5 them a letter.
 6 Q. Okay.
 7 A. This had to do with -- this letter
 8 had to do with the alleged interest of Abe
 9 Mordowitz, a lawyer, in his effort to purchase
 10 the property of Fifth and 106th Street, at
 11 106th and Fifth Avenue.
 12 We went to a closing. Bob was at
 13 the closing. We were going through the
 14 contract -- and in fact, the contract might have
 15 been signed. I think we did sign some
 16 documents -- and then Bob's son-in-law, who was
 17 there representing the Seaveys, said, "Let's
 18 review this again," et cetera.
 19 And at this point, Seavey then got
 20 up and said that he had to leave because he had
 21 not eaten and that his diabetes was beginning to
 22 bother him and he felt very faint. So he left.
 23 Subsequent to that, I got a series
 24 of calls from Abe Mordowitz, who said to me that
 25 he had deposited with Seavey \$3.8 million and

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1 John Edmonds
 2 that he could bring a lawsuit to force the sale.
 3 And I said, Well, you know, that's
 4 up to you.
 5 Then subsequent to that, on an
 6 occasion that I was down in Florida, I got about
 7 ten calls from Abe Mordowitz indicating that he
 8 was going to proceed in this lawsuit. He never
 9 did.
 10 And my conclusion was that Abe
 11 Mordowitz was never a legitimate purchaser, but a
 12 front man for Bob Seavey in connection with the
 13 ownership of that property.
 14 I want to repeat for you that that
 15 property is the most valuable piece of property
 16 of the partnerships; that I had been told that
 17 the property could add an additional 100 units on
 18 the Fifth Avenue side because it was underzoned
 19 when built.
 20 MR. TRAUB: I'm going to move to
 21 strike all of that as nonresponsive to my
 22 question.
 23 BY MR. TRAUB:
 24 Q. Mr. Edmonds, if you turn back with
 25 me to Defendants' Exhibit No. 5, page 3, turn

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1 John Edmonds
 2 with me to Paragraph No. 5.
 3 A. Paragraph Number 5 in what?
 4 Q. Defendants' Exhibit No. 5, your
 5 affidavit.
 6 A. Where?
 7 Q. Right in the middle of that
 8 paragraph, there's a sentence that begins,
 9 "However, their attempt to audit the 2006
 10 financial records of defendant Dalton."
 11 MR. HAYWOODE: I'm sorry, Darren.
 12 Where is this?
 13 MR. TRAUB: Page 3, paragraph 5.
 14 THE WITNESS: He keeps going back to
 15 that same --
 16 MR. HAYWOODE: Must be a pony in
 17 there somewhere.
 18 Q. You could probably rest assured that
 19 you can keep that on your knee for quite some
 20 time. We're going to go through every paragraph
 21 on this page -- on this document.
 22 You have in there, "However, in the
 23 attempt to audit the 2006 financial records of
 24 defendant Dalton, plaintiff's auditors" --
 25 MR. HAYWOODE: Paragraph 5?

41 (Pages 158 to 161)

162

1 John Edmonds
 2 MR. TRAUB: Paragraph 5.
 3 THE WITNESS: Yes.
 4 MR. KELLY: Slow down.
 5 MR. HAYWOOD: Of the what?
 6 MR. TRAUB: Do you see where it says
 7 "However"?
 8 THE WITNESS: Yeah, here.
 9 MR. HAYWOOD: You see it?
 10 THE WITNESS: Yes.
 11 BY MR. TRAUB:
 12 Q. "However, in their attempts to audit
 13 the 2006 financial records of defendant Dalton,
 14 plaintiff's auditors found no records to support
 15 approximately \$7,500,000 of expenses in its
 16 general ledgers for its management and operation
 17 fee of the partnership housing development."
 18 Mr. Edmonds, what is the basis for
 19 your \$7,500,000 figure?
 20 A. The basis would be the reports and
 21 the oral interviews that I had with -- with the
 22 accountants.
 23 Q. Again, earlier today, I asked you
 24 was there anything in one of the oral interviews
 25 you had with the accountants that changed or

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1 John Edmonds
 2 modified or somehow amended the investigation
 3 report that we've discussed earlier and that's
 4 been marked as Defendants' Exhibit No. 4, and you
 5 told me no.
 6 A. I repeat, then.
 7 Q. Where in Defendants' Exhibit No. 4,
 8 which is the 12/12/2007 investigation report, do
 9 you find the basis to support a \$7,500,000
 10 figure?
 11 A. The basis to support that allegation
 12 is in the first sentence, "Defendants Dalton and
 13 Marks Paneth & Shron's refusal to provide
 14 plaintiff's auditors with the financial records
 15 of the partnership housing developments have
 16 caused them to be unable to complete an audit for
 17 even one year of the ten years that defendant
 18 Dalton has been managing and operating housing
 19 developments. See Exhibit A.
 20 "However, in their" --
 21 Q. That's not --
 22 A. What's that?
 23 Q. That's not what you state here.
 24 What you state here is "In their attempt to
 25 audit, they found no records to support

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1 John Edmonds
 2 \$7,500,000 of expenses in general ledgers."
 3 The question is --
 4 A. That's right.
 5 Q. -- where are you getting the
 6 \$7,500,000 number?
 7 A. I'll repeat, the accountants -- the
 8 accountants, in oral discussions in their office,
 9 gave me that information.
 10 Q. Okay.
 11 MR. HAYWOOD: Let the record also
 12 show documents were produced showing that
 13 analysis by the accountants. I think the
 14 record showed more from different analyses
 15 at different dates.
 16 MR. TRAUB: Mel, again, your
 17 testimony is not what we're here for today.
 18 MR. HAYWOOD: I'm pointing to the
 19 record that you have documents in your
 20 possession which would substantiate --
 21 MR. TRAUB: Mel, this is my
 22 deposition --
 23 MR. HAYWOOD: -- what you're
 24 asking.
 25 MR. TRAUB: -- transcript and you

165

1 John Edmonds
 2 are not entitled to make notes on it, nor
 3 are you entitled to testify on it.
 4 MR. HAYWOOD: The documents will
 5 speak for themselves.
 6 BY MR. TRAUB:
 7 Q. Mr. Edmonds, you cite for this
 8 paragraph Exhibit E.
 9 A. Yeah. Where is that?
 10 Q. It's attached to your affidavit as
 11 Exhibit E.
 12 A. Yes, it's Exhibit E.
 13 Q. Do you see that?
 14 A. Yeah.
 15 Q. What is Exhibit E?
 16 A. It's the -- it says, "Combined
 17 financial summary for the period ended
 18 December 2006."
 19 Q. Do you know who provided this
 20 combined financial summary to you?
 21 A. The auditors.
 22 Q. Do you know who prepared this
 23 combined financial --
 24 A. No, I do not.
 25 Q. If you turn to paragraph 6, you

42 (Pages 162 to 165)

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1 John Edmonds

2 state that "The defendants are" -- and I'm
3 quoting -- "depriving plaintiff" -- being you --
4 "of this financial and ownership interest in the
5 partnerships while the defendants named herein
6 are reaping enormous and personal financial
7 gains."

8 A. Absolutely true.

9 Q. How are the defendants depriving you
10 of your ownership interest in the partnerships?

11 A. By refusing my participation in the
12 decision-making of the projects and by having
13 exclusive and sole control of these projects and
14 using their management company, Dalton Management
15 Company, owned by Phyllis, to disregard any
16 requests that I make.

17 Q. And what ownership -- withdrawn.

18 What is the basis for your statement
19 that Phyllis is the owner of Dalton Management
20 Company?

21 A. Every time I talk to Phyllis or to
22 any of the Seaveys, including Bob, and Phyllis
23 will, in my recollection, state to me that she is
24 the owner. That's how she identifies herself, I
25 am the owner.

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1 John Edmonds

2 Everybody else has -- has an
3 interest, but I think that the way in which the
4 Seaveys had worked it out, I think Phyllis owns
5 52 percent of the company. She doesn't call
6 herself chairman or anything. She says, I'm the
7 owner. And the other percentages are controlled
8 by Avery in a partnership called ABN -- I think
9 ABNS; Avery, Bob, Neale Seavey.

10 Q. Turn with me to page 6. It's
11 paragraph 12 of your affidavit.

12 MR. TRAUB: This is going to be 9
13 and this will be 10.

14 Q. Mr. Edmonds, in this paragraph, it
15 refers to Lakeview partnership. You state that
16 you own a 9 percent interest in the partnership
17 and you describe that interest as a managing
18 general partner; is that correct?

19 A. I don't describe the interest as
20 managing. I say I am a managing general partner.
21 I say further, I believe, that the managing
22 general partners own 15 percent. But I've been
23 informed by Bob Seavey -- we originally I think
24 owned 7 percent each, but Bob arranged to
25 purchase from one of the relatives of the Singers

1 John Edmonds

2 her interest, which I think was 2 or 3 percent.

3 Q. You say, "Plaintiff is a managing
4 general partner of the Lakeview partnership and
5 owns a 9 percent interest in that partnership."

6 A. That's the basis upon which I made
7 that statement, is what -- the information that
8 Seavey had given me.

9 Q. And is that what you understand
10 yourself to own and to be?

11 A. That's correct.

12 Q. I'm going to hand you what's been
13 marked as Defendants' Exhibit No. 9.

14 (Defendants' Exhibit 9, Agreement
15 for Purchase and Sale of Partnership
16 Interest, marked for identification.)

17 Q. And also what's being marked as
18 Defendants' Exhibit No. 10.

19 (Defendants' Exhibit 10, Second
20 Amended Agreement of Limited Partnership of
21 Fifth and 106th Street Associates, L.P.,
22 marked for identification.)

23 BY MR. TRAUB:

24 Q. Mr. Edmonds, Defendants' Exhibit
25 No. 9, it's an agreement for purchase and sale of

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1 John Edmonds

2 partnership interest.

3 Have you seen this document before?

4 A. I may have, yeah. I think I may
5 have seen it.

6 Q. If you turn to page 5 and the
7 Exhibit A and B, do you recognize your signature?

8 A. Yes, I do.

9 Q. This agreement for purchase and sale
10 of partnership interest is an agreement whereby
11 you are selling your partnership interest in
12 Fifth and 106th Street to BNA Realty Company,
13 LLC; is that correct?

14 A. Yes, Bob Seavey and --

15 Q. If you turn to page 2, the very top
16 of page 2, it says, under little z, that "The
17 balance of Edmonds' interest in the partnership
18 (1.2 percent), which is now converted at this
19 time to a limited partnership interest, however,
20 the assignment of which shall not be effective
21 until Edmonds' death."

22 Do you see that?

23 A. Yes.

24 Q. Then in connection with that, a
25 second amended agreement of limited partnership

43 (Pages 166 to 169)

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1 John Edmonds
 2 of Fifth and 106th Street Associates was signed;
 3 is that correct? And that's what's been given to
 4 you as Defendants' Exhibit No. 10.
 5 A. Yes. That's the agreement Bob --
 6 Q. If you look at --
 7 A. Yes, that's the agreement that Bob
 8 Seavey went out to -- to Mineola and removed so
 9 that there would be no record of this agreement.
 10 And the reason he went to Mineola was that the
 11 original partner had filed this partnership in
 12 Nassau County.
 13 Q. If you turn to paragraph 3 on page 3
 14 of this agreement, it states that "Edmonds'
 15 7.5 percent partnership interest is assigned,
 16 transferred and conveyed to BNA so that BNA shall
 17 have a 6.2 percent of said 7.5 percent interest
 18 in the partnership as a general partner and
 19 Edmonds shall retain and does retain 1.2 percent
 20 of his former 7.5 percent partnership interest as
 21 a limited partner."
 22 And then on page 5, it appears to
 23 have your signature; is that correct?
 24 A. Yes.
 25 Q. And the signatures of, in fact, all

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1 John Edmonds
 2 of the partners in Fifth and 106th Street?
 3 A. That's correct.
 4 Q. Do you know of any amendment to the
 5 partnership agreement of Fifth and 106th Street
 6 Associates that came after this second amended
 7 agreement?
 8 A. I know of no amendment. I do know
 9 that the amounts of monies that is being cited
 10 here were repaid to the partnership. Seavey had
 11 set up a situation in Chase Bank where
 12 \$1.7 million of \$3 billion was in his name and
 13 1.3 in mine.
 14 Those monies are the monies that
 15 I've repeated to you several times were the
 16 6 percent fee that the partners are entitled to
 17 while operating the project in a positive
 18 fashion.
 19 I was given a certain date to pay
 20 that money. I did not make that date, but I paid
 21 the money later. As a matter of fact, I called
 22 Bob Seavey and told him that I was prepared to
 23 pay it, and I paid it with the highest legal
 24 rate, I think it was 16 percent, back to the
 25 partnership in order to redeem my position.

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1 John Edmonds
 2 And Seavey, when I told him that I
 3 was prepared to do that, he instructed me to
 4 place the check back in the Chase account and
 5 endorse it for -- I think the letter was CL --
 6 client number so and so and so, and put it in the
 7 account. And that's exactly what I did.
 8 Q. Can you show me where in the second
 9 amended agreement of limited partnership of Fifth
 10 and 106th Street Associates, L.P. provides that
 11 when you repay the money, you'll be put back in
 12 as a --
 13 A. No.
 14 Q. -- managing partner?
 15 A. No, I can't. I can't. And
 16 that's -- but I repaid the money. And I don't
 17 think Seavey can take the position that, yeah, we
 18 got the money back, but you're still out. I
 19 think that's a ludicrous position and I doubt
 20 that he would take it in any set of
 21 circumstances.
 22 Do you deny that I repaid the money?
 23 Q. Going back to --
 24 A. Answer my question. Do you deny
 25 that I repaid the money?

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1 John Edmonds
 2 Q. Going back to Defendants' Exhibit
 3 No. 5, which is your affidavit, looking at
 4 paragraph 13 discussing Logan Plaza, you are in
 5 fact a 50 percent owner of Logan Plaza; is that
 6 correct?
 7 A. That's correct.
 8 Q. Prior to Dalton taking over as the
 9 management company of Logan Plaza in 2000, had
 10 you ever received a distribution for your
 11 ownership interest in Logan Plaza?
 12 A. No. There -- there were no
 13 distributions at Logan Plaza till such time as we
 14 purchased the project. In other words, the
 15 project was -- the limited part of the project as
 16 I recall was the Boston Financial organization.
 17 They told Avery Seavey that they
 18 were getting out of the business of having an
 19 interest in the affordable housing area and that
 20 it would be available for sale.
 21 Avery and I then negotiated with
 22 them. They agreed to accept from us each 2
 23 point, I think it was -- no. They agreed to
 24 accept \$640,000 each, from Avery and from me.
 25 And that -- the Logan Plaza, being an 80/20

44 (Pages 170 to 173)

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1 John Edmonds
2 situation, HVC then stepped in, took control of
3 the mortgage and I believe paid out Boston
4 Financial for its participation.

5 MR. TRAUB: This as Number 12,
6 please.

7 (Defendants' Exhibit 11, Amended and
8 Restated Certificate of Limited Partnership
9 of Charles H. Housing Associates, marked
10 for identification.)

11 BY MR. TRAUB:

12 Q. Mr. Edmonds, if you look at
13 paragraph 14 of your affidavit concerning Charles
14 Hill Associates, you testified that you own
15 25 percent interest in that partnership; is that
16 correct?

17 A. That's correct.

18 Q. Is that your understanding of your
19 ownership interest in Charles Hill?

20 A. That's correct.

21 Q. I've given you what's been marked as
22 Defendants' Exhibit No. 11, which is the amended
23 and restated certificate of limited partnership
24 of Charles H. Housing Associates.

25 (Witness peruses the exhibit.)

175

1 John Edmonds

2 Q. Is Charles H. Housing Associates the
3 same as your Charles H. Hill Associates
4 partnership?

5 A. Charles H. Housing Associates are
6 the owners of Charles H.

7 Q. And if you turn to page 47 --

8 MR. HAYWOODE: I'm sorry, did the
9 witness finish?

10 Are the owners of Charles H., the --

11 THE WITNESS: Yes, the real
12 estate -- Charles H. is the -- is the real
13 estate.

14 MR. HAYWOODE: Uh-huh.

15 Q. Now, Mr. Edmonds, if you turn to
16 page 47 --

17 A. Yeah.

18 Q. -- It lays out all of the different
19 ownership interests in this partnership. It
20 provides that you have a 1 percent interest in
21 the operations of the partnership; is that
22 correct?

23 A. What does that mean, "a 1 percent
24 interest in the operations"?

25 Q. Well, if you're looking at

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1 John Edmonds

2 Schedule A, it says capital contribution, you
3 made \$100. It says your interest in the
4 operations is 1 percent and your interest in
5 capital transactions is 24.745 percent.

6 A. That's correct.

7 Q. And that actually the investor
8 limited partner, Charles Hill Tower Associates,
9 has 98 percent of the interest in the operations.
10 Is that correct?

11 A. That's what it says here.

12 Q. Did you --

13 A. I only know that the investor
14 limited partner purchased for himself and his
15 company that 50.51 percent and that the general
16 partners purchased, by the payment of
17 \$2.1 million each, the 24.745 percent.

18 Q. So you purchased, am I correct, the
19 mortgage actually on this property?

20 A. That's correct.

21 Q. So you get 25 percent of all
22 mortgage payments on this property?

23 A. That's correct.

24 Q. But you actually own a 1 percent
25 interest in the ownership on this property?

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1 John Edmonds

2 A. No, I own a 25 percent interest in
3 the ownership of this property. Why would I own
4 a 1 percent interest in the property when -- when
5 I've paid for 25 percent interest?

6 Q. Do you know --

7 A. Why would I do that?

8 Q. Do you know of any other document
9 other than the one that I've given you that sets
10 forth the ownership interest of Charles Hill
11 partnership?

12 A. I can't think of one.

13 Q. Turning back to your Defendants'
14 Exhibit No. 5, which is your affidavit --

15 (Discussion off the record between
16 the witness and his counsel.)

17 Q. -- looking at paragraph 20, which is
18 on page 9 of your affidavit --

19 (Pause from the record.)

20 Q. -- you state that "On or about the
21 summer of 2005, reliable employees of the
22 partnerships' housing developments communicated
23 to plaintiff that excessive costs were being
24 incurred by the partnerships' housing
25 developments as a result of the contracts

45 (Pages 174 to 177)

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1 John Edmonds
 2 defendant Dalton had entered into on behalf of
 3 the partnerships' housing developments, as well
 4 as to the improper management and operation of
 5 the partnerships' housing developments by
 6 defendant Dalton."
 7 A. Yes.
 8 Q. Which employees?
 9 A. Basically they were the -- the
 10 employees who did the work at the development,
 11 who clean, made the repairs and so forth and so
 12 on. They told me that -- that Phyllis had made
 13 an arrangement with a company someplace in Long
 14 Island that required them to spend about three to
 15 four hours a day to go out there to get materials
 16 that they might need to service the tenants and
 17 that they didn't understand that since the
 18 largest supplier of equipment, plumbing,
 19 electrical, et cetera, was right at
 20 86th Street -- 88th Street and Third Avenue
 21 and within 15 to 20 minutes they could go down
 22 and order their material. And they said that
 23 this company would deliver any materials that
 24 they needed within 24 hours.
 25 And beyond that, they said that this

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1 John Edmonds
 2 was the company who supplied these materials
 3 originally and there was no issue, no question of
 4 them not having the particular piece of pipe or
 5 electrical fixture, et cetera, that they needed
 6 to make a repair.
 7 Q. Do you remember the name of any of
 8 the employees that told you this?
 9 A. I don't -- I don't wish to disclose
 10 any names as I fear that they would be -- they
 11 would be punished in the strong and determined
 12 way that Phyllis Seavey has.
 13 Q. Mr. Edmonds, while I recognize that
 14 you may not want to disclose the names --
 15 A. I haven't answered the question.
 16 I'm not going to. Okay?
 17 Q. On the record, are you refusing to
 18 state the basis for your paragraph 20?
 19 A. No, no. I've set forth in plain
 20 language what the basis of paragraph 20 is. I've
 21 said I decline to name the individual employees
 22 because I don't want them fired or put out of
 23 work.
 24 Q. What about deposed in this action;
 25 don't you think that their testimony would be

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1 John Edmonds
 2 relevant to this action?
 3 A. Well, when that comes, if it's
 4 necessary, I'll consider whether I should call
 5 any of them.
 6 Q. Actually, Mr. Edmonds, it's
 7 necessary right now for you to either disclose --
 8 A. It isn't necessary for me to
 9 disclose it. I not going to disclose it, and
 10 I've told you that before.
 11 Q. You don't have to raise your voice.
 12 A. Well, I do because you don't seem to
 13 understand me.
 14 Q. And you don't have to point to me
 15 either.
 16 A. Yes, I do because you don't seem to
 17 understand me.
 18 MR. HAYWOODE: Counsel, I suggest
 19 you make a motion for a ruling on this.
 20 MR. TRAUB: I'm trying to avoid
 21 making unnecessary motions when Mr. Edmonds
 22 brought this lawsuit on the basis of
 23 statements from, quote-unquote, reliable
 24 employees, but is now refusing to --
 25 THE WITNESS: I didn't bring the

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1 John Edmonds
 2 lawsuit on the basis -- that was a part of
 3 the information that I received from
 4 various sources. All right? And that's
 5 the basis of my bringing the lawsuit and
 6 the fact of the kind of control that the
 7 Seaveys have exercised over these
 8 properties.
 9 MR. TRAUB: Again, Mr. Edmonds, I've
 10 asked you not to raise your voice.
 11 MR. HAYWOODE: And I object to
 12 characterizing his voice as being raised.
 13 I've heard him much louder.
 14 THE WITNESS: That's absolutely
 15 correct. You should be in court with me
 16 one day --
 17 MR. TRAUB: I plan on it.
 18 THE WITNESS: -- on opposite sides
 19 and you'll see how I raise my voice.
 20 MR. TRAUB: I plan on it soon.
 21 MR. HAYWOODE: Counsel, nationwide
 22 we have a whistle-blower problem. There
 23 are regulations that pertain to that. And
 24 that's why I think it should be relegated
 25 to a motion. I think any court would

46 (Pages 178 to 181)

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1 John Edmonds
2 understand at least the logic of what
3 Mr. Edmonds is saying. To the extent we
4 offer it as proof in a trial, that's
5 another issue.
6 BY MR. TRAUB:
7 Q. Mr. Edmonds, turning to
8 paragraph 23, you state that the auditor's review
9 of Dalton's financial records --
10 A. What page is that?
11 Q. Page 10.
12 A. I state which?
13 MR. KELLY: I'm missing 10 in mine.
14 MR. TRAUB: Paragraph 23, page 10.
15 MR. HAYWOODE: I don't have 10
16 either.
17 MR. KELLY: It goes to 11 and then
18 10. One page out of order.
19 MR. TRAUB: You can take off the
20 binder and switch the pages --
21 MR. KELLY: Oh, thanks.
22 MR. TRAUB: -- if you want to put
23 them back in order.
24 MR. HAYWOODE: You wanted something
25 to do, right?

1 John Edmonds
2 deals. For instance, the garage -- as an
3 example, that contract with that garage operator
4 gives him the right to operate that garage at a
5 fee substantially below what the fees ought to
6 be.
7 And it also gives him the right
8 that, in the event that the project is disposed
9 of, that he continues to operate the garage and
10 that if he at any time decided that he didn't
11 want to operate it further, that he would have
12 six months to make up his mind and go from there.
13 And I'm saying that the Seaveys, by
14 doing that, and having this garage operator enter
15 into an agreement with ABNS, then they -- that
16 they should be removed because I think that the
17 basic partnership rule is that the managing
18 general partner has the responsibility to always
19 act in the best interest of the partnership.
20 And I consider that if Seavey and
21 those are behaving in a way to benefit themselves
22 and some third party, that he was not acting in
23 the best interest of the partnership and should
24 be removed.
25 Q. Are you aware of when that agreement

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1 John Edmonds
2 BY MR. TRAUB:
3 Q. You state that your auditor's review
4 of Dalton's records "reveal that defendants
5 Phyllis Seavey and Dawley repeatedly and on a
6 consistent basis purposefully provided false and
7 misleading information in the monthly financial
8 package by not reporting amounts paid to the
9 partnerships in connection with the third-party
10 agreements it entered into for the partnerships."
11 A. Uh-huh.
12 Q. Which third-party agreements are you
13 referring to in paragraph 23?
14 A. Which third-party agreements?
15 Q. Yes.
16 A. I'm talking about an agreement with
17 the -- with the garage operator. Talking about
18 an agreement with the laundry operator. And I'm
19 talking about an agreement with -- with the
20 people who install these telephonic wires on the
21 roofs of these buildings.
22 Q. And are you contending that these
23 vendors actually paid money to the partnerships?
24 A. No, I'm contending that these
25 vendors have what you would call sweetheart

1 John Edmonds
2 with the garage was entered into?
3 A. Whenever they came aboard. I don't
4 know when they came aboard.
5 Q. Have you seen this agreement?
6 A. I haven't seen the agreement.
7 Q. So you're not aware of the date that
8 the agreement was signed --
9 A. Does Bob deny that the agreement
10 exists? No, I don't know when it was signed.
11 Q. Are you aware of the term of the --
12 the length and term of the agreement?
13 A. It has an indefinite term.
14 Q. But in paragraph 23, you state that
15 they're providing misleading information by not
16 reporting amounts paid to the partnerships in
17 connection with these third-party agreements.
18 What payments are you referring to
19 that the partnerships are receiving from these
20 third-party agreements?
21 A. I don't know that the partnerships
22 are receiving any payment. I believe that, on
23 behalf of the partnership, these companies that
24 the Seaveys have formed are the -- are the
25 operators of this. And my essential position is

47 (Pages 182 to 185)

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1 John Edmonds
2 that these are monies that should go to the
3 partnerships and not to Seavey or to any company
4 that he might have formed.
5 Q. Have you seen any document showing
6 that there's money going to the Seaveys or any
7 partnership that he might --
8 A. No, I only have been able to
9 determine that, in fact, Avery Seavey is a
10 managing general partner of an agreement between
11 the Seaveys and the operator of the garage.
12 Q. Is there money from the garage that
13 you believe is going to the Seaveys?
14 A. Yes.
15 Q. And --
16 A. If he's a partner with the garage
17 operator, then obviously monies are going to him.
18 Q. So it's your understanding that
19 Avery is a partnership in the garage?
20 A. Yes. And in the laundromat, also.
21 Q. And he's also partnership in the
22 laundromat?
23 A. Yes. And also partners in that
24 electronic --
25 MR. HAYWOODE: Sign.

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1 John Edmonds
2 A. -- sign upstairs.
3 Q. What documents have you seen to
4 support your understanding --
5 A. Those are not the kind of documents
6 that Seavey would distribute to me.
7 Q. Has anyone ever told you that Avery
8 is a partner in those --
9 A. I said I investigated that.
10 Q. And who told you that Avery was a
11 partner in the partnership --
12 A. State of New York.
13 Q. Which document of the State of New
14 York told you that?
15 A. I went to Albany and visited their
16 office --
17 Q. Whose offices?
18 A. The Secretary of State at the
19 Harriman campus.
20 -- and secured this information.
21 Q. By looking at what document at the
22 Secretary of State's office?
23 A. They showed me a document that
24 reflected the organizations of this corporation
25 or limited liability company, of which Avery

1 John Edmonds
2 Seavey was the managing general partner along
3 with the garage operator.
4 Q. Do you remember the name of the LLC?
5 A. ABNS.
6 Q. It's your understanding that the
7 garage operator is a partner in ABNS?
8 A. ABNS, that's correct.
9 Q. You cite, though -- for your
10 contention, paragraph No. 3, you cite Exhibit A.
11 A. What's Exhibit A?
12 Q. Well, you cite here that "The
13 plaintiff's auditor's review revealed that, on a
14 consistent basis, they provided false, misleading
15 information by not reporting amounts paid to the
16 partnership." And you say, "See Exhibit A."
17 MR. HAYWOODE: Are you referring to
18 the Cameron Griffiths letter of --
19 MR. TRAUB: If you look at
20 paragraph 23, in bold, at the very end of
21 23, you say, "See Exhibit A."
22 MR. HAYWOODE: I see listing
23 Exhibit Q. Where am I --
24 THE WITNESS: "Plaintiff relied
25 totally upon the monthly financial packages

48 (Pages 186 to 189)

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1 John Edmonds
 2 A. The answer to that is paragraph 2.
 3 "We were unable to complete the audits because
 4 the company's management refused to provide
 5 documentation and/or explanation to substantiate
 6 items in the general ledger, some of which
 7 include several journal entries recorded in
 8 general ledgers of all four companies, the
 9 original document to support the notes payable to
 10 Seavey or Lakeview, support for the balances
 11 recorded in Lakeview money market and investment
 12 accounts, among many others."
 13 Q. And you --
 14 A. "Because we were unable to obtain
 15 substantiation for several items recorded in the
 16 general ledger and we were unable to apply
 17 alternative auditing procedures to the items
 18 listed and the others mentioned as discussed in
 19 the preceding paragraph, the scope of our work
 20 was not sufficient to enable us to express and we
 21 do not express an opinion as to the financial
 22 statements referred to in the first paragraph."
 23 Q. And you understand those two
 24 paragraphs to mean that there was false,
 25 misleading information in the monthly financial

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1 John Edmonds
 2 package because they didn't report amounts to
 3 partnerships in connection with the third-party
 4 agreements that it entered into for the
 5 partnerships?
 6 A. Yes. Because I believe that he has
 7 the prime responsibility for reporting any
 8 amounts of monies engendered by the partnerships
 9 and that those monies should go into the
 10 partnerships, not into the Seaveys' pockets.
 11 Q. You state here in paragraph 54 on
 12 page 13 that "Defendant Dawley informed
 13 plaintiff's auditors that Dalton was unable to
 14 produce this basic and standard information
 15 necessary for the audit because defendant
 16 Dalton's software was incapable of producing the
 17 required 'trial balances' -- that term's in
 18 quote -- "from entries made in their general
 19 ledgers which recorded the daily expenditures for
 20 the management and operation of the partnerships'
 21 housing developments."
 22 Who told you that Mr. Dawley stated
 23 the software is incapable of producing trial
 24 balances?
 25 A. Obviously this is information

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1 John Edmonds
 2 that -- that the auditors got from Dawley.
 3 Q. Did the auditors tell you that
 4 Dawley was able to provide them with a general
 5 balance -- with a general ledger?
 6 A. I don't recall.
 7 Q. Do you know the --
 8 A. I only know that -- that they
 9 informed me that Dawley's position was if -- if
 10 they were looking for these trial balances,
 11 et cetera, that they would have to go to the
 12 accountants.
 13 Q. That's your understanding of what
 14 Mr. Dawley told them?
 15 A. Yes.
 16 Q. In paragraph 55, you state that "The
 17 defendants have breached their management
 18 agreements and by refusing to maintain proper
 19 computer systems, they're in violation of the
 20 federal and state regulations which provide
 21 substantial subsidies to the partnerships'
 22 housing developments which govern their
 23 management and operations."
 24 Which federal and state regulations
 25 are you referring to, Mr. Edmonds?

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1 John Edmonds
 2 A. I'm sure that they're both federal
 3 and state regulations related to the management
 4 of these parcels that requires the management to
 5 maintain a proper computer system for the
 6 management of the partnerships' financial
 7 information. And either the Seaveys don't have
 8 it or either they refuse to use it.
 9 I understand that what they do,
 10 according to Dawley, is that they -- that the
 11 expenditures are made and that the checks for the
 12 expenditures are attached, and that it is then
 13 turned over to their accountants for their
 14 accountants to convert from -- whatever the
 15 system -- convert it from -- from the way in way
 16 in which they keep their books to another form.
 17 And I just can't think of it right
 18 now.
 19 Q. Have you seen any specific federal
 20 and state regulations that --
 21 A. No, I have not.
 22 Q. If you turn to page 16 of your
 23 affidavit, you state that "The auditors found
 24 that defendant Dalton had entered into several
 25 contracts in excess of \$10,000 supposedly in

49 (Pages 190 to 193)

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1 John Edmonds
 2 connection with the maintenance and repair for
 3 the various housing developments of the
 4 partnership," and then you cite to Exhibit I.
 5 If you turn to Exhibit I --
 6 A. Where's that?
 7 Q. Under -- close to the back. And you
 8 have a tab that says, "Exhibit I."
 9 What is your understanding of what
 10 is Exhibit I?
 11 A. Let me see.
 12 (Witness peruses the exhibit.)
 13 A. As far as I can determine, these are
 14 a listing of the checks that would have gone out
 15 to various outfits who perform, according to
 16 this, repair contracts, payroll, and that kind of
 17 thing.
 18 Q. Is it your contention that each one
 19 of these items is a violation of the management
 20 agreement?
 21 A. My contention is that these items
 22 reflect a process by which the Seaveys are able
 23 to use the partnership monies as they see fit.
 24 And I would suggest that perhaps the partnerships
 25 are paying perhaps expenses for his other

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1 John Edmonds
 2 interests, the other partnerships that he may
 3 own.
 4 Q. So is it your contention that even
 5 though each one of these is listed under Church
 6 Homes Associates, that you believe some of these
 7 may have been related to work at a different
 8 entity?
 9 A. That's correct. Maybe related to an
 10 entity that is wholly unrelated to these
 11 partnerships.
 12 Q. And what document have you seen that
 13 gives you that belief?
 14 A. Just looking at this document that
 15 spells out, you know, what the repairs were and
 16 so forth and so on. I don't know that all of
 17 these are repairs that were made at any of the
 18 partnerships' properties.
 19 Q. Have you or your auditors undertaken
 20 to contact any of these vendors to ask them for
 21 proof about these repairs?
 22 A. I don't think that they've
 23 undertaken that. They're trying to complete the
 24 examination of the books and records of Dalton
 25 Management. And I guess at some point my counsel

196

1 John Edmonds
 2 will determine whether or not these companies
 3 should be contacted in connection with our
 4 lawsuit.
 5 Q. So is it my understanding then,
 6 without any documentary proof and without even
 7 contacting these vendors, that you attached this
 8 as an exhibit to a federal complaint and a
 9 federal affidavit testifying --
 10 A. For me a court is a court. Okay.
 11 And I attached those because these are documents
 12 that the accountants have been able to get and
 13 they indicate what Seavey says are expenses of
 14 Dalton Management related to the operation of the
 15 projects.
 16 Q. Can you point to me in your
 17 paragraph 35 where you state that the information
 18 made is upon information and belief and not your
 19 firsthand --
 20 A. I don't -- I do not use the language
 21 "information and belief." I set forth in
 22 unequivocal terms what I understand that's going
 23 on here.
 24 Q. And again, your understanding is not
 25 based on documentary evidence and not based on

197

1 John Edmonds
 2 contacting these vendors, but just your belief?
 3 A. No, based upon information that I've
 4 gleaned from my auditors as they go through the
 5 books and records.
 6 Q. What did your auditors glean then to
 7 show them that your understanding is --
 8 A. I do not know. I'm not an
 9 accountant. I don't know. I only know what my
 10 oral discussions have been with them and what
 11 their reports are to date.
 12 Q. Have they orally reported to you
 13 that they found proof that not all of these
 14 vendors supplied work for Church Homes
 15 Associates?
 16 A. They have indicated to me that it is
 17 likely that -- the fact that all of these vendors
 18 may not be doing work on behalf of the
 19 partnerships. They may be doing work for the
 20 Seaveys' other interests.
 21 Q. And your auditors determined that
 22 based upon a review of the books and records that
 23 they've received so far?
 24 MR. HAYWOODE: Objection.
 25 I object to the suggestion in this

50 (Pages 194 to 197)

198

1 John Edmonds
 2 question that the auditors now have
 3 determined that. I don't hear any
 4 testimony here about anybody having
 5 determined it.
 6 MR. TRAUB: He stated that he
 7 unequivocally made a statement to the
 8 court. So clearly someone --
 9 A. I unequivocally made it. This is my
 10 affidavit, and I don't -- I don't submit
 11 affidavits on information and belief; I never do
 12 that.
 13 Q. Do you wish to strike or remove that
 14 paragraph sitting here today?
 15 A. I do not. I want it in. I do not
 16 wish to strike any paragraph of any affidavit or
 17 document that I have submitted in this matter.
 18 Q. Okay. Turning to page 18,
 19 paragraph 40.
 20 A. What exhibit is that?
 21 Q. It's not an exhibit. It's the
 22 actual affidavit itself.
 23 A. Okay. All right. As shown in
 24 Exhibit B, reads, "Attached hereto, in reviewing
 25 defendant Dalton's general ledgers, plaintiff's

199

1 John Edmonds
 2 auditors found entries indicating that, in 2006,
 3 defendant Dalton has deposited approximately
 4 \$800,000 to \$1 million in investment accounts for
 5 Lakeview partnership, as shown in Exhibit A and B
 6 attached hereto.
 7 "Defendant Dalton has refused to
 8 provide plaintiff's auditors with the financial
 9 statements for these investment accounts, names
 10 and addresses of the investors, and/or any
 11 contact information for these investments made in
 12 2006 which represent a substantial amount of the
 13 partnerships' funds."
 14 Q. When you look at Exhibit B, it shows
 15 that the account that they're referring to is the
 16 Salomon Smith reserve account. Isn't it true,
 17 Mr. Edmonds, that you are in fact a signatory on
 18 that account?
 19 A. I may be, but that does not -- that
 20 does not give me -- if the other side, Seaveys,
 21 are controlling the books and records, that does
 22 not give me a right to get the information.
 23 Q. Did you give your accountants any
 24 information with regards to the Salomon Smith
 25 reserve account?

200

1 John Edmonds
 2 A. No, all I did was to ask them to go
 3 forward, to get as much information as they can
 4 get and continue to -- to investigate and to
 5 determine what the problems were.
 6 Q. Other than not receiving -- or
 7 allegedly not receiving information on this
 8 account, are you contending there's anything
 9 wrong with this investment account at Salomon
 10 Smith?
 11 A. I don't know whether there's
 12 anything wrong or not. That's the reason that
 13 I'm having the accountants go through it. But
 14 if -- if they continue and the Seaveys continue
 15 to refuse to give me access, then I believe that
 16 they're secreting and hiding.
 17 Q. Mr. Edmonds, in this lawsuit, you
 18 filed a series of different document requests,
 19 did you not?
 20 A. Yes.
 21 Q. And in response to those document
 22 requests, the Seaveys have made, along with Marks
 23 Paneth & Shron, a large number of documents
 24 available to your accountants; is that --
 25 MR. HAYWOOD: I'm going to

201

1 John Edmonds
 2 object --
 3 Q. -- correct?
 4 MR. HAYWOOD: -- to the question
 5 based on the use of relative terms like
 6 "large" and "some" unless there's an
 7 accurate quantification here.
 8 Q. Over 20 banker's boxes full of
 9 boxes, have they not?
 10 MR. HAYWOOD: Is it 20 banker's
 11 boxes?
 12 A. I know nothing about that.
 13 Q. Do you know how many pages of
 14 documents have been produced in response to your
 15 document request?
 16 A. No. I've indicated to you, and I
 17 can repeat, that my accountants indicate to me
 18 that somewhere between 40 to 60 percent of the
 19 requests that they have made for documents have
 20 been declined.
 21 Q. Since the inception of this lawsuit?
 22 A. Beginning as of the time that they
 23 were retained.
 24 Q. My question for you was, since the
 25 inception of this lawsuit, have they --

51 (Pages 198 to 201)

202

1 John Edmonds
 2 A. Beginning as of the time that they
 3 were retained to investigate this matter and to
 4 report their findings.
 5 Q. And in fact, you made a partnership
 6 demand under the New York partnership laws to
 7 come to Dalton and do an inspection of the books
 8 and records, did you not?
 9 A. I may have. I probably did. And
 10 that has nothing to do with whether or not those
 11 partnership documents were made available and
 12 indeed those investment accounts were made
 13 available. They continue to refuse to make those
 14 available.
 15 Q. To your knowledge, as you sit here
 16 today, have those documents been -- have the
 17 defendants in any way refused to produce those
 18 documents?
 19 A. I repeat what I said earlier, that
 20 my accountants report to me --
 21 Q. When is the last time that your
 22 accountants reported this to you?
 23 A. The accountants -- I said I've had
 24 several oral meetings with them, and they have
 25 indicated to me that they have great difficulty

203

1 John Edmonds
 2 in getting the information and materials that
 3 they need about the partnerships' investments,
 4 et cetera.
 5 Q. When was the last time they made
 6 that representation to you?
 7 A. In any meeting that we might have
 8 had --
 9 Q. When is the last meeting you had
 10 with them?
 11 A. I don't recall the exact date, but
 12 it's been since we've instituted this action.
 13 Q. Has it been in 2009?
 14 A. Yes, I've met with them in 2009.
 15 Q. Have you ever asked them whether or
 16 not they have enough documents to --
 17 A. They obviously do not.
 18 Q. Mr. Edmonds, let me finish my
 19 question.
 20 A. I mean, there's no point in putting
 21 that question to me, do they have enough
 22 documents.
 23 Q. Mr. Edmonds --
 24 A. They obviously do not. That's the
 25 reason that they are continuing to do the

204

1 John Edmonds
 2 examination of the books and records as they are
 3 made available.
 4 Q. Mr. Edmonds, have you ever asked
 5 yourself if maybe the accountants you hired are
 6 not capable of doing this audit?
 7 A. No, I would not ask myself that. I
 8 think that they're very capable. I think they're
 9 at least as capable as the accountants that
 10 Shron -- at least as capable and probably better
 11 accountants.
 12 Q. Mr. Edmonds, again, I'm going to ask
 13 you not point to me or raise your voice.
 14 A. Well, when you tell me about whether
 15 or not --
 16 MR. HAYWOOD: Let the record
 17 reflect this is a capacious room and
 18 there's a long distance between Mr. Edmonds
 19 and Mr. Traub, my esteemed counsel or -- I
 20 just object to characterizations that he's
 21 pointing or raising his voice inordinately.
 22 He has a powerful voice. And there
 23 is some emotion here. I don't feel it's
 24 excessive. I think it's prejudicial on the
 25 record to keep saying pointing your finger

205

1 John Edmonds
 2 and shouting.
 3 Q. Mr. Edmonds, if you'll look on
 4 paragraph 41 on page 18 of your affidavit. Would
 5 you please look at paragraph 41, page 18,
 6 Mr. Edmonds. You talked about a Merrill Lynch
 7 account set up for Lakeview partnership in which
 8 a check for \$82,720 was sent.
 9 Are you aware that the DHCR requires
 10 certain monies to be placed into a
 11 DHCR-controlled account every month?
 12 A. I'm aware, as I said to you earlier,
 13 that DHCR has signature rights on partnership
 14 accounts and that accounts are handled in that
 15 fashion because they have a program in which they
 16 look to have these investments made in government
 17 instruments, county instruments, city
 18 instruments, this kind of thing. So to the
 19 extent that that's being done, they require that
 20 they also sign off.
 21 Q. So you require then the
 22 partnerships -- or at least Lakeview, which is
 23 under DHCR purview, requires that money be sent
 24 from the rent revenue accounts to a
 25 DHCR-controlled account; is that correct?

52 (Pages 202 to 205)

206

1 John Edmonds
2 A. To an account controlled by DHCR and
3 Seavey.
4 Q. You believe that DHCR is conspiring
5 with Seavey on this account?
6 MR. HAYWOOD: Excuse me, the word
7 was what?
8 THE WITNESS: "Conspiring."
9 MR. HAYWOOD: Conspiring.
10 THE WITNESS: No.
11 MR. HAYWOOD: Objection.
12 A. I believe that DHCR is doing what
13 they're required to do, and that is to have a
14 signature on the accounts to make certain that
15 the governmental programs are in accordance with
16 the mandate from the federal government, where
17 these monies begin.
18 Q. What is the basis for your statement
19 that the Seaveys have signature rights on this
20 Merrill Lynch account?
21 A. If it's DHCR-controlled, they
22 obviously have signature rights because it would
23 require two signatures, DHCR's signature and the
24 signature on behalf of the partnership.
25 Q. Have you seen any documents to show

207

1 John Edmonds
2 you that the Seaveys have signature rights on
3 this Merrill Lynch account?
4 A. They haven't produced any. They
5 have all the documents. I keep telling you they
6 have all these documents. Ask your -- ask your
7 clients where those documents are.
8 Q. Sir, again, this is just your
9 presumption then that the Seaveys have signature
10 rights in this Merrill Lynch account?
11 A. My presumption, what I understand to
12 be the process used by government agencies to
13 protect these investments so that the investors
14 are not able to go in and invest in items that
15 they would not approve.
16 Q. Looking at paragraph 44 on page 19
17 of your affidavit.
18 MR. TRAUB: Why don't we take a take
19 a five-minute break.
20 (Recess from the record.)
21 BY MR. TRAUB:
22 Q. Mr. Edmonds, if you'll turn with me
23 to page 19, paragraph 44.
24 A. Of the affidavit?
25 Q. Of the affidavit, please.

208

1 John Edmonds
2 You state, "The defendant Dalton had
3 contracted with TMO Parent, LLC; Merit Parking,
4 LLC; Macquarie New York Parking III, LLC; Sebco
5 Laundry to lease property of the partnerships'
6 housing developments. A portion of the monies
7 defendant Dalton received in connection with
8 these commercial leases for the partnership
9 housing developments was delivered to the Seavey
10 family and the Seavey organization."
11 What is the basis for your statement
12 that a portion of the money was delivered to the
13 Seavey family and the Seavey organization?
14 A. The partnership agreements that the
15 Seaveys have with the lessee.
16 Q. Have you seen any partnership
17 agreements between the Seaveys and the lessee?
18 A. Well, these are -- they're here.
19 That's what this is.
20 Q. Exhibits D and L7
21 A. Yeah.
22 Q. Well, Exhibit D appears to be a
23 garage lease agreement dated December 16, 1996,
24 and then with an extension in 1996.
25 A. And also talks about the fact that

209

1 John Edmonds
2 the -- that the lessee has the right to renew and
3 to renew and to renew.
4 Q. Let's start with this one. What is
5 your understanding of what the fair market value
6 for the rent for this garage would have been in
7 1996?
8 A. I've been reliably informed that
9 this lease is substantially under what other
10 leases in the area are paying.
11 Q. And who informed you of this fact?
12 A. Hal H. Harris, who has or had
13 clients in the garage business.
14 Q. But again, this is not a partnership
15 agreement, is it? This is a lease.
16 A. It's a lease between --
17 Q. Fifth and 106th as approved by the
18 DHCR?
19 A. Yes.
20 Q. With the -- with Merit Parking Corp;
21 is that correct?
22 A. Yes, Merit. They have several
23 names, Merit, et cetera.
24 Q. And this is the source of your
25 understanding that the Seaveys are personally

53 (Pages 206 to 209)

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210

1 John Edmonds

2 getting money from the commercial leases?

3 A. I said -- yes. I said that I

4 visited Albany and secured this information from

5 the Department of State.

6 Q. Have you even any checks whereby the

7 garage or the laundry are paying the Seaveys

8 directly?

9 A. If checks, they go to the Seaveys.

10 They don't come to me.

11 Q. So is your answer no, you have not

12 seen any checks?

13 A. I have not seen any checks.

14 Q. Other than this lease agreement and

15 this -- and the partnership agreement that you

16 said you saw at the Secretary of State's office,

17 have you seen any other documents to support your

18 contention that payments are going directly to

19 the Seaveys or the Seavey organization?

20 A. No, I haven't. And once again, they

21 have the books and records and they can tell you

22 whether or not Dalton Management and/or ABNS

23 receives payments from this lessee.

24 Q. Mr. Edmonds, do you have any

25 evidence that the money that is supposed to go to

211

1 John Edmonds

2 the partnerships actually ended up in the

3 Seaveys' personal accounts?

4 A. What would be evidence? The only

5 evidence that there could be would be checks,

6 money orders, whatever, that would go to Dalton

7 Management or to ABNS.

8 Q. And you haven't seen any such

9 checks?

10 A. No, I have not.

11 Q. Isn't it true that Cameron,

12 Griffiths & Pryce's report, which is Defendants'

13 Exhibit No. 4, alleges problems with

14 classification of funds and the way that the

15 books are maintained; they do not actually allege

16 that there are any missing or unaccounted funds

17 at this time?

18 MR. HAYWOODE: I'm going to object

19 to the characterization of the report.

20 That report, like any auditor's report,

21 will say that --

22 MR. TRAUB: Mel, your objection --

23 for what you said so far, that's what

24 you're allowed under the rules.

25 MR. HAYWOODE: Well, no, I want to

212

1 John Edmonds

2 point to where it is.

3 The auditors are saying we didn't

4 see it --

5 MR. TRAUB: Mel, you're testifying

6 now.

7 MR. HAYWOODE: -- it doesn't say

8 there's not support. It says we didn't see

9 it.

10 MR. TRAUB: Mel, you're

11 testifying --

12 MR. HAYWOODE: I'm not testifying to

13 any fact in this case, Darren.

14 MR. TRAUB: You just did.

15 MR. HAYWOODE: I'm simply -- no, I'm

16 not. I'm saying that your question as to

17 form is wrong because an accountant's

18 comment -- any accountant, the IRS,

19 anybody, wouldn't say that, you know --

20 MR. TRAUB: Mel, you're testifying

21 right now.

22 MR. HAYWOODE: -- they're just

23 saying we didn't see it.

24 MR. TRAUB: Mel, you're testifying.

25 Your objection is improper under Federal

213

1 John Edmonds

2 Rule 30. I'm going to ask you --

3 MR. HAYWOODE: I hear your ruling.

4 I except from it.

5 BY MR. TRAUB:

6 Q. Mr. Edmonds --

7 MR. HAYWOODE: There may be a day

8 when I won't be able to do that.

9 Q. -- is there anything you can point

10 me in the auditor's investigation report at

11 Defendants' Exhibit No. 4 that states that there

12 are actually missing or unaccounted-for funds?

13 MR. HAYWOODE: Objection again as to

14 form as to what we mean by

15 "unaccounted-for."

16 A. Well, no, I testified to the effect

17 that Dalton Management as the managing agent

18 receives whatever monies that are paid, either

19 Dalton Management or ABNS receives, whatever

20 monies that are paid by Merit Parking. And I

21 haven't seen the checks, no.

22 Q. But there's nothing in the report

23 that's Defendants' Exhibit No. 4 that says

24 there's money that's unaccounted for, is there?

25 A. No, thus far.

54 (Pages 210 to 213)

214

1 John Edmonds
 2 Q. Are you personally aware of any
 3 money that is missing or unaccounted for?
 4 A. No, I'm not. All I know --
 5 Q. Do you --
 6 A. -- is that the Seaveys have all the
 7 records. And if I'm inaccurate, then I'm
 8 inaccurate. They have all the records. They
 9 keep those records. They make it difficult or
 10 impossible to get any copy of anything that might
 11 tend to support the fact that they are receiving
 12 monies from these rental institutions, from the
 13 garage and so forth.
 14 Q. Mr. Edmonds, do you have any
 15 documents that show you that the monthly reports
 16 that you receive are inaccurate?
 17 A. No, I do not. I have documents only
 18 that show very recently the monthly reports have
 19 been made more difficult to decipher. They
 20 changed the way in which they were reporting up
 21 to 2008 and in 2009. Now the monthly reports are
 22 different.
 23 Q. Mr. Edmonds, were you a party to a
 24 conversation where all the defendants conspired
 25 to transfer money away from the partnerships to

215

1 John Edmonds
 2 the Seaveys?
 3 A. No, I've never been a party to any
 4 such conversation.
 5 Q. Are you aware of any witness who
 6 claims to have documentary or other evidence that
 7 the defendants conspired to transfer money away
 8 from the partnerships to the Seaveys?
 9 A. I only have the statement that I
 10 made to you that -- that Hal H. Harris has
 11 indicated to me that the lease agreements with
 12 Merit Parking are such that it is substantially
 13 below what is the market in the area.
 14 And beyond that, that -- that the
 15 agreement is an agreement between ABNS and the
 16 Merit Parking Corporation, with Merit Parking
 17 having the right to endless renewals at a
 18 below-the-market rate interest -- or payment.
 19 Q. Mr. Edmonds, are you aware of any
 20 witness who claims to have witnessed or
 21 participated in a conversation --
 22 A. No, I'm not.
 23 Q. -- where the defendants conspired to
 24 transfer money away from the partnership to the
 25 Seaveys?

216

1 John Edmonds
 2 A. No, I'm not.
 3 MR. TRAUB: Let's just take a
 4 five-minute break real quick. And I might
 5 be finished. I just want to look over
 6 everything one more time.
 7 (Recess from the record.)
 8 MR. TRAUB: Back on the record.
 9 BY MR. TRAUB:
 10 Q. Mr. Edmonds, this agreement that you
 11 state that you saw at the Albany Secretary of
 12 State, do you have a copy of that?
 13 A. No, I do not.
 14 Q. Do you remember the name of the
 15 document that you saw?
 16 A. It was just a document that set
 17 forth the -- the name of the -- of the company
 18 filed by Avery, the ABNS name, setting forth that
 19 previously the Seaveys had listed these -- these
 20 corporations, et cetera, as being inoperative.
 21 They were -- they were apparently filed and they
 22 would indicate to the State that they're not
 23 operating these -- these companies.
 24 Q. And which companies are you
 25 referring to when you say "these companies"? The

217

1 John Edmonds
 2 garages or ABNS?
 3 A. ABNS. ABNS.
 4 Q. So is it a certificate of
 5 incorporation for ABNS that you're referring to?
 6 A. Yes, it would be the certificate of
 7 incorporation.
 8 Q. And that's the basis for your belief
 9 that ABNS is getting money paid directly from the
 10 garages and the laundromat?
 11 A. That, and statements made to me by
 12 reliable sources that the Seaveys have
 13 contractual agreements with -- with the laundry
 14 and with the garage.
 15 Q. And who --
 16 A. What I basically --
 17 Q. Mr. Edmonds, who are those reliable
 18 sources that told you that?
 19 A. I just decline to disclose them at
 20 this time.
 21 Q. Are they the same ones that you're
 22 referring to earlier that told you that there
 23 were contracts with vendors to deliver
 24 materials --
 25 A. I decline to comment on that.

55 (Pages 214 to 217)

218

1 John Edmonds
 2 Okay. But what really is the -- is the cooker
 3 here is the kind of provisions that is set forth
 4 in the lease agreement with this vendor.
 5 Q. It's your contention that, because
 6 the lease is under market and renews for
 7 indefinite period of time, that that is the basis
 8 for your contention that the Seaveys are getting
 9 some sort of payment directly from the garage
 10 and/or the laundromat?
 11 A. That's correct.
 12 MR. TRAUB: Thank you. Nothing
 13 further.
 14 Bill, I don't know if you wanted to
 15 start. It's 4:15.
 16 MR. KELLY: I can start.
 17 EXAMINATION
 18 BY MR. KELLY:
 19 Q. Good afternoon, Mr. Edmonds.
 20 A. Good afternoon, sir.
 21 Q. I'm going to try my best to avoid
 22 going over some of the same ground, but I may --
 23 A. That would be appreciated.
 24 Q. -- I may seem to be doing that when
 25 I introduce whatever topic I'm going to be

219

1 John Edmonds
 2 addressing, so bear with me.
 3 You mentioned the name Hal Harris
 4 before.
 5 A. Yes.
 6 Q. What is your relationship with
 7 Mr. Harris?
 8 A. None other than that, he's a tenant
 9 and a real estate broker.
 10 Q. Do you know where Mr. Harris'
 11 address is?
 12 A. Yes, he lives in Lakeview. And he
 13 hasn't paid Seavey any rent recently --
 14 THE WITNESS: Did he pay his rent
 15 yet, Bob?
 16 Q. When did he tell you that the
 17 market -- that the garage lease was below market?
 18 A. Oh, maybe a couple of years ago.
 19 Based upon his -- his relationship with other
 20 clients.
 21 Q. Do you know how he came to learn
 22 what the lease for the garage required as the
 23 lease payments?
 24 A. No, I don't think he indicated what
 25 the payments were. He just indicated to me that

220

1 John Edmonds
 2 it would be a most unusual circumstance for the
 3 partnerships -- or the partnership, Fifth and
 4 106th Street, to enter into an agreement with a
 5 below-the-market-rate tenant and, beyond that, to
 6 enter into an agreement where all the rights to
 7 renewal, et cetera, lie with the tenants.
 8 Q. So I guess my question is, if he
 9 didn't know what the rate under the lease was,
 10 how could he know if it was below market?
 11 A. He apparently knew that it was below
 12 market because of his expertise in the community.
 13 He had clients that were -- or has clients that
 14 were in the business, in the parking business.
 15 And on that basis -- and this was
 16 maybe three years ago, two or three years ago.
 17 On that basis, he said that any -- that there
 18 must be an arrangement made with the -- with the
 19 garage operator because of the advantages that he
 20 had under the terms of the lease.
 21 Q. Are you familiar with -- well, let
 22 me withdraw that.
 23 Do you have any educational
 24 background in accounting?
 25 A. No.

221

1 John Edmonds
 2 Q. Have you ever taken any accounting
 3 courses?
 4 A. None.
 5 Q. Are you familiar with generally
 6 accepted auditing standards?
 7 A. I hear accountants use that term. I
 8 don't know what it means.
 9 Q. Are you familiar with government
 10 auditing standards?
 11 A. No. I don't know anything about
 12 accounting. That's the reason I've retained
 13 these accountants.
 14 Q. Are you aware that there are several
 15 paragraphs in your affidavit that you discuss
 16 generally accepted auditing standards and you
 17 cite specific --
 18 A. I discussed them only on the basis
 19 of my discussion with my -- with my auditors.
 20 Q. Which one of your auditors did you
 21 have the discussion regarding Section 3.1 --
 22 A. With all of them at any meeting that
 23 we might have.
 24 Q. Are you familiar with the term
 25 "trial balance"?

56 (Pages 218 to 221)

222

224

1 John Edmonds
 2 A. Yes, I've heard of the term.
 3 Q. What is your understanding of what a
 4 trial balance is?
 5 MR. HAYWOODE: Objection. Vague as
 6 to what his understanding is.
 7 The witness can answer.
 8 A. All I know is that it would be a
 9 record, I assume, kept by the management company,
 10 in this instance, of the monies received and the
 11 expenditure.
 12 Q. You spent a paragraph in your
 13 affidavit discussing the definition of a trial
 14 balance --
 15 A. Based upon that definition given to
 16 me by my accountants.
 17 Q. But other than what your accountants
 18 told you, do you have any understanding of what a
 19 trial balance is?
 20 A. No, I don't.
 21 Q. Do you know what a general ledger
 22 is?
 23 A. No, except that my accountants
 24 indicated, with respect to the Seaveys, that the
 25 general ledger was not kept up to date.

223

1 John Edmonds
 2 Q. Who told you that the general ledger
 3 was not kept up to date?
 4 A. The accountants.
 5 Q. Was it one of the accountants or all
 6 of the accountants?
 7 A. In the course of my discussion with
 8 them, that was their analysis on the basis of the
 9 examination of 2006.
 10 Q. So to the extent there's a
 11 discussion in your affidavit about trial balances
 12 or general ledgers, it's based on your
 13 discussions with the accountants?
 14 A. That's correct.
 15 Q. No other independent knowledge that
 16 you bring from somewhere else?
 17 A. No.
 18 MR. HAYWOODE: For the record,
 19 Mr. Dawley testified to these things in
 20 Mr. Edmonds' presence. That record will
 21 speak for itself.
 22 MR. TRAUB: The record will also
 23 show that that deposition was taken months
 24 after the filing of the complaint and the
 25 affidavit.

1 John Edmonds
 2 THE WITNESS: Yes, that's correct.
 3 And it also -- the affidavit reflects the
 4 information as gathered by the accountants
 5 as of that time. And I think that what
 6 they were referencing is the 2006 records
 7 that they had been able to review.
 8 BY MR. KELLY:
 9 Q. Do you know what a journal entry is?
 10 A. Nope.
 11 Q. To the extent that there's
 12 discussion of journal entries in your affidavit,
 13 is that based upon -- what is that based upon?
 14 A. Based upon my discussion with my
 15 accountants.
 16 Q. Do you have any knowledge -- or at
 17 the time you -- at the time you signed this
 18 affidavit, did you have any knowledge of the
 19 procedures for journal entries at Dalton?
 20 A. No, that's -- that's something that
 21 Dalton keeps among itself. I do recall the
 22 testimony of the chief operating officer with
 23 respect to the journal entries, et cetera.
 24 Q. So what is the basis for your
 25 statement in the affidavit, page 25.

225

1 John Edmonds
 2 paragraph 50, "Clearly defendants are in blatant
 3 violation of the government auditing
 4 standards" --
 5 A. Based upon --
 6 Q. Excuse me, let me finish.
 7 -- "since the conduct of defendants
 8 Dalton, Dawley and Marks Paneth & Shron
 9 demonstrates that defendant Dalton is not the
 10 party preparing the account journals"?
 11 A. Well, based upon two things. First
 12 of all, the statement by the accountants, the
 13 statement by the accountants. And then Dawley's
 14 own testimony.
 15 Q. Well, wasn't Mr. Dawley's testimony
 16 taken several months after you signed this
 17 affidavit?
 18 A. Yes.
 19 Q. So that couldn't be the basis of
 20 this affidavit.
 21 A. Yes --
 22 MR. HAYWOODE: I'm going to object
 23 to that because Dawley talked to the
 24 accountants originally. If he said the
 25 same thing to them that he said at the

57 (Pages 222 to 225)

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1 John Edmonds
 2 deposition on February 24th, that might
 3 explain it.
 4 I just point that out as an
 5 objection to form. You're saying it
 6 couldn't have happened, but they talked to
 7 each other. I don't know.
 8 BY MR. KELLY:
 9 Q. So if the deposition of Dawley
 10 happened after you signed this affidavit, then it
 11 couldn't form the basis of any knowledge you had
 12 in --
 13 A. I've indicated to you --
 14 MR. HAYWOODE: Objection again.
 15 Go on.
 16 A. -- that the information that I have
 17 in connection with my affidavit is information
 18 that I've secured from my accountants. And their
 19 information I gather is based upon their
 20 conversations with Dawley and Nealie Seavey and,
 21 I guess, Phyllis Seavey.
 22 Q. When did you have the conversation
 23 with the accountants in which they gave you
 24 information that supported the statement that
 25 Marks Paneth and not Dalton is a party to

227

1 John Edmonds
 2 preparing the account journal entries?
 3 A. I believe that the accountants
 4 interviewed Dawley in his capacity as chief
 5 operating officer and inquired, about these
 6 government operating standards and the other
 7 standards, of him.
 8 And apparently he responded in the
 9 same way in which he responded in his testimony,
 10 that -- I have to think. He must have told them,
 11 because that's what they told me, that these --
 12 that the Seaveys do not keep a record of their
 13 management and control of the monies, that they
 14 write down the figure and they put a check next
 15 to that figure, or -- and/or bill or whatever,
 16 and that they then give it to the accountant and
 17 then the accountant converts it to meet their
 18 needs.
 19 Q. So the basis of your discussion in
 20 your affidavit regarding journal entries is
 21 solely based upon your knowledge received from
 22 the accountants?
 23 A. That's correct.
 24 Q. Have you ever reviewed any invoices
 25 submitted by Marks Paneth & Shron to Dalton or

228

1 John Edmonds
 2 any of the partnerships?
 3 A. Nope. The only thing I ever
 4 received from Dalton are the -- as I said, the
 5 family court records and checks that impact upon
 6 the employees at the various projects.
 7 Q. So in your affidavit, when you
 8 state, "A review of these invoices show that
 9 they're not accrued, but instead charged against
 10 the 2006 expenses, which is a departure from
 11 generally accepted accounting principles" --
 12 A. That's a statement made to me by my
 13 accountants.
 14 Q. You have no other outside knowledge
 15 about what the contents of the invoices show or
 16 whether or not --
 17 A. No.
 18 Q. -- they depart from generally
 19 accepted accounting principles?
 20 A. None.
 21 Q. Did you ever have the occasion to
 22 have a conversation with William Jennings from
 23 Marks Paneth & Shron?
 24 A. I've had some conversations with
 25 Jennings through the years, but usually I speak

229

1 John Edmonds
 2 to his first assistant, young lady.
 3 Q. Do you recall that young lady's
 4 name?
 5 A. No.
 6 Q. Do you recall having a conversation
 7 with Mr. Jennings at the end of 2007 regarding
 8 requests for information from your accountants?
 9 A. I may have. I know that -- I know
 10 that I had informed Rudy Clark he should -- at
 11 that time that he should be in touch with
 12 Jennings. And also I told the accountants,
 13 Cameron, et cetera, that they should talk to
 14 Jennings.
 15 Q. You mentioned Rudy Clark in your
 16 answer just now. Did you have discussions with
 17 Mr. Clark regarding contacting William Jennings
 18 or Marks Paneth & Shron?
 19 A. Yeah, I told him to be in touch with
 20 them to get complete copies of tax returns on
 21 each of these developments, the whole return, not
 22 just that part of the return that might impact
 23 on -- on me.
 24 Q. Do you know when you spoke with
 25 Mr. Clark about getting this information from

58 (Pages 226 to 229)

230

1 John Edmonds
2 Marks Paneth & Shron?
3 A. Oh, I think I spoke to him at the
4 time when I first discussed with him this
5 process, that I was going to go forward on this.
6 And also Rudy had informed me that they sent him,
7 you know, only a partial return. I don't know
8 the term for it.

9 But that did not reflect the
10 return -- did not reflect all of the information
11 necessary for him to do a tax return that
12 reflects properly what my interest was,
13 et cetera.

14 And as a matter of fact, it appeared
15 that the tax return was prepared such that
16 Edmonds ended up paying all the taxes.

17 Q. Do you know who prepared the tax
18 returns for the partnerships?

19 A. I only know that the only firm
20 that's represented Seavey, maybe for 40 years, is
21 the Shron firm.

22 MR. HAYWOODE: Indicating the
23 defendant Marks Paneth & Shron.

24 Q. Do you recall when you had Mr. Clark
25 request this information?

231

1 John Edmonds
2 A. Is it -- when I first spoke to him
3 before I retained these accountants as a result
4 of Rudy saying to me that he could not do this
5 kind of investigation because of his engagements
6 and work in North Carolina, and that I should
7 seek other accountants who are familiar with
8 affordable housing projects and the requirements
9 of the federal government and the state
10 government and the City of New York.

11 Q. Did Mr. Clark ever advise you that
12 money was unaccounted for with regards to the
13 partnerships?

14 A. I don't think he did. I don't think
15 he advised me of that. I think that information
16 I received from Cameron, et cetera.

17 Q. Going back to communications,
18 conversations you may have had with Mr. Jennings,
19 do you recall a particular phone call in which
20 Mr. Jennings said he was going to Europe and that
21 he wouldn't be able to respond to requests from
22 Cameron Griffiths?

23 A. Yes.

24 Q. What do you recall about that
25 conversation?

232

1 John Edmonds
2 A. Only that he said he would be away
3 for two or three weeks.

4 Q. Did you say anything during that
5 conversation?

6 A. To him?

7 Q. Yes, to him.

8 A. I said to him that -- you know, that
9 Cameron Griffiths are in need of this information
10 if we're going to progress in terms of our
11 lawsuit, and that we shouldn't have to wait until
12 he came back from Europe to get that information.

13 And he said, John, you know, my
14 assistant is here and you can always deal with
15 her.

16 Q. And did you direct Cameron
17 Griffiths' advice to deal with the assistant?

18 A. I don't recall whether I did or not,
19 but I probably did.

20 Q. In your communications with Cameron
21 Griffiths & Pryce, did you ever have any written
22 communications to them?

23 A. No. My communications with Cameron
24 Griffiths & Pryce are always at meetings in their
25 office in Brooklyn, on Utica Avenue.

233

1 John Edmonds
2 Q. Other than the two reports that have
3 been marked in evidence today, which is
4 Exhibit 4 --

5 A. Those are the reports related to the
6 2006 --

7 Q. -- and Exhibit A to your affidavit,
8 have they provided you any other written
9 materials?

10 A. No other written. Oral materials.
11 They have said A, B and C, and they're still
12 having great difficulty in getting the Seaveys to
13 make books, records, et cetera, available to
14 them.

15 Q. Have they complained to you about
16 Marks Paneth & Shron not making books and records
17 available that were in their possession?

18 A. I don't recall them making any
19 statement to that effect as to Marks Paneth &
20 Shron.

21 Q. Are you aware of any statement by
22 Marks Paneth & Shron, written or oral, that you
23 believe to be false?

24 A. There's no basis for me to -- to
25 assume that any statement that they made may be

59 (Pages 230 to 233)

234

1 John Edmonds
2 false; but I do refer you to my conversations
3 with Cameron in which -- when I say "Cameron," I
4 mean his group -- in which they indicate to me
5 that the Shron auditors have the principal
6 responsibility for the returns and accounting at
7 Dalton Management.

8 Q. Which one of the auditors told that
9 to you?

10 A. These are discussions I have had
11 with all three auditors at one time. Usually the
12 meetings -- everybody's present at the meeting.
13 You know, these auditors --

14 Q. Are you aware -- can you identify --

15 MR. HAYWOODE: Bill, you asked a
16 question several -- three questions back,
17 and I apologize being late with it,
18 concerning anyone writing to Marks Paneth &
19 Shron.

20 I would --

21 MR. KELLY: No, I did not ask a
22 question about anybody writing to Marks
23 Paneth & Shron.

24 MR. HAYWOODE: Well, if you didn't,
25 then I will not point to the series of

235

1 John Edmonds
2 letters contained in the --

3 MR. KELLY: Let's not point to them.

4 MR. HAYWOODE: But if you did, there
5 are several letters in the order to show
6 cause addressed to Marks Paneth & Shron
7 here from the accountants.

8 BY MR. KELLY:

9 Q. Do you recall, Mr. Edmonds, any
10 representations that have been made to you from
11 Marks Paneth & Shron?

12 A. Representations of what nature?

13 Q. Do you recall any statements made to
14 you by Marks Paneth & Shron?

15 MR. HAYWOODE: Note my objection to
16 the form.

17 Because they issued financial
18 statements every year concerning --

19 MR. KELLY: Mel, no. You have your
20 objection. You don't need to suggest
21 information to the witness.

22 MR. HAYWOODE: Well, you're saying
23 did they make any representations and there
24 is a financial statement --

25 MR. KELLY: Mel, please --

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1 John Edmonds

2 MR. HAYWOODE: -- and I object to
3 the form of the question.

4 MR. TRAUB: Mel, a deposition is not
5 your place to argue with the question other
6 than to form or instruct the witness if
7 there's a problem. This is not an
8 opportunity to argue the merits of the
9 case.

10 MR. HAYWOODE: I'm not arguing the
11 merits of any case. I'm just pointing out
12 that the question carries a tautology in it
13 because it's saying did they make any
14 representations to you when they made
15 representations in a financial statement.

16 Now, who would that be to?

17 Certainly not the subscribers to the New
18 York Times.

19 MR. TRAUB: You're now arguing with
20 me.

21 MR. HAYWOODE: I'm not arguing. I
22 object to the form of the question.

23 MR. KELLY: Make your objection and
24 then we proceed.

25 MR. TRAUB: You don't need to give,

237

1 John Edmonds

2 nor are you entitled to give your basis for
3 your objection to form. You're entitled to
4 say, Objection to form, and that's it.

5 THE WITNESS: Well, I gather that
6 the process that Mr. Kelly is following
7 here is an attempt to, in effect, indict
8 the accountants. When I say that, I mean
9 he's trying to show that these accountants,
10 these community accountants, as they've
11 been called by people, don't really know
12 what they're doing and so, therefore, any
13 information that they've gleaned is
14 invalid.

15 BY MR. KELLY:

16 Q. I'll ask the question again.

17 Do you recall any statements from
18 Marks Paneth & Shron to you?

19 MR. HAYWOODE: Same objection.

20 A. I've said to you that, based upon my
21 accountants report, 2006 report, and my various
22 meetings with the Cameron group, I made the
23 statement that I made in my affidavit.

24 Q. So is your testimony that you do not
25 recall any statements made by Marks Paneth &

60 (Pages 234 to 237)

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1 John Edmonds

2 Shron to you?

3 A. To me, no. Because I -- the only
4 statement that I recall is the one that I've
5 already testified to, when Jennings told me that
6 he'd be away for three to four weeks and that I
7 could deal with his assistant.

8 Q. In your discussions with your
9 accountants, were any statements that Marks
10 Paneth & Shron made to them communicated to you?

11 MR. HAYWOODE: Objection to form.
12 How would he know? Well, objection.

13 A. Repeat your question. What did you
14 say?

15 Q. In your discussion with your
16 accountants, did they tell you about any
17 statements that Marks Paneth & Shron made to
18 them?

19 A. They may have. They probably did,
20 once again, in the meetings that we would have.

21 Q. Do you recall if they identified any
22 statements that they believe were made by Marks
23 Paneth & Shron that they believed to be false?

24 A. No, they merely point to the role
25 that Marks Paneth & Shron has in the

1 John Edmonds

2 were said to you at the time that you entered
3 into these agreements?

4 A. I've said to you that -- that --
5 well, there's really only one kind of approach
6 that Seavey would make that grew out of my use my
7 own monies, that is the monies that I was
8 entitled to get from the partnerships in which he
9 said that he required -- the partnerships
10 required me to resign and they required me to
11 have a limited time, one year, to return the
12 funds, failure to return the funds would mean
13 that I would lose my general partnership and that
14 I would become 1/4 -- one-fourth partner --
15 limited partner and that, at my death, the
16 properties would go to the Seaveys.

17 Q. Are you aware of --

18 MR. HAYWOODE: Are you finished?

19 A. And I said that the monies that I
20 used and repaid was a year late on the basis of
21 the advice given to me by Seavey in which he
22 said, Just put the check in the account and mark
23 it as CL number so and so and so, and it would
24 go -- the bank will have that returned to the
25 account.

239

241

1 John Edmonds

2 partnerships. It's their position that the books
3 and records of the partnerships are kept by the
4 Shron firm, not by partnerships.

5 Q. And other than what your accountants
6 have told you, you have no source of information
7 for that belief?

8 A. No, I haven't.

9 Q. Have you seen any advertisements by
10 Marks Paneth & Shron?

11 A. None that I know of.

12 MR. HAYWOODE: Off the record.
13 (Discussion off the record.)

14 BY MR. KELLY:

15 Q. What contracts did you enter into
16 based upon fraudulent statements?

17 A. All of them.

18 Q. When did you enter into these
19 contracts?

20 A. Whenever the dates are on the
21 documents.

22 Q. Are you referring to the partnership
23 agreements?

24 A. Yeah.

25 Q. Can you identify what statements

1 John Edmonds

2 And I also said that those were -- I
3 recognized late that those weren't Seaveys' money
4 that he was talking about. He was talking about
5 my own monies.

6 Q. Are you referring to the agreement
7 marked as Exhibit 10?

8 A. I guess so. That's the agreement in
9 which he had me sign all these things, yes, in
10 order to get this advance.

11 Q. Exhibit 9 and 10 actually is what I
12 was referring to.

13 THE WITNESS: Where's 9?

14 MR. HAYWOODE: Here's 10.

15 BY MR. KELLY:

16 Q. Prior to commencing this action, did
17 you give any consideration to what impact a
18 complaint for \$500 million would have on
19 defendant Marks Paneth & Shron?

20 A. Yeah, serious consideration to that.

21 Q. What was your consideration?

22 A. I thought it would send their heads
23 spinning in particular, if a jury made that kind
24 of an award.

25 Q. Did you consider the impact on Marks

61 (Pages 238 to 241)

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1 John Edmonds
 2 Paneth & Shron's business that a filing of a
 3 \$500 million complaint would have?
 4 A. No, I didn't consider that. I
 5 considered only that I would sign this complaint
 6 and that we would proceed and that -- that the
 7 courts would make that determination as we went
 8 down the road.
 9 Q. I want to direct your attention to
 10 Exhibit 8, which is a letter from the Internal
 11 Revenue Service.
 12 A. Yeah.
 13 Q. Do you recall discussing this letter
 14 earlier today?
 15 A. Yeah.
 16 Q. Isn't it probable and possible that
 17 the IRS proposed no change to the tax returns
 18 because they were done properly to begin with?
 19 A. Yes, that's all together probable
 20 and possible. But I don't know why then they
 21 would require Seavey to notice the partnerships
 22 and its participants to the effect that there
 23 need not be any change in his return.
 24 And Seavey said so in his letter.
 25 He said that pursuant to the direction of the

243

1 John Edmonds
 2 Internal Revenue Service, you are hereby noticed
 3 that the return that was filed on the year it was
 4 filed, I think, what, 2003, has been accepted,
 5 and I'm sending you this letter or notice
 6 pursuant to the direction of the Internal Revenue
 7 Service.
 8 So, you know --
 9 Q. Do you see that the letter is
 10 addressed to Mr. Jennings of Marks Paneth &
 11 Shron?
 12 A. I don't know who it's addressed to.
 13 I only know that I got a copy of it from Seavey.
 14 Q. Do you have any knowledge of any
 15 work besides -- well, let me withdraw that.
 16 What is your understanding of the
 17 work Marks Paneth & Shron did on behalf of the
 18 partnerships and Dalton Management?
 19 A. They are, according to the Seaveys,
 20 auditors of the partnerships. They also
 21 apparently convert the -- the Seaveys' factual
 22 situation into a form that reflects a consistent
 23 and accurate return. In other words, they play a
 24 dual role. The exact nature of that role, you
 25 know, I don't want to argue, but --

244

1 John Edmonds
 2 Q. Has anyone ever told you that Marks
 3 Paneth & Shron has done anything wrong in
 4 connection with their work done on behalf of the
 5 partnerships --
 6 A. Yes, yeah. Sure. That's what my
 7 accountants have stated.
 8 Q. What have they stated in that
 9 regard?
 10 A. They stated that Marks Paneth &
 11 Shron are not auditors, but they're both the
 12 bookkeepers and the auditors.
 13 Q. Which one of the accountants told
 14 you that?
 15 A. The group, as a result of what they
 16 saw in the 2006 books and records.
 17 Q. And when did they tell you that?
 18 A. From the very beginning of their --
 19 of their tenure.
 20 Q. When did you decide to include Marks
 21 Paneth & Shron as a defendant in this action?
 22 A. I decided to include them because I
 23 felt that they were facilitating this wrongful
 24 conduct by -- and protecting the Seaveys in that
 25 wrongful conduct, in that racketeering.

245

1 John Edmonds
 2 Q. When did you make that
 3 determination?
 4 A. I made that determination when my
 5 accountants reported to me the dual role of Marks
 6 Paneth & Shron. They said that's against
 7 accounting standards, that was improper; that
 8 you --
 9 Q. Did they --
 10 A. They said the two functions should
 11 be separated. And they said further, that,
 12 generally speaking, in order for an accounting
 13 firm to establish that they are strictly the
 14 auditors, that there was a procedure whereby the
 15 client would -- would be required by the auditing
 16 firm to get another auditor for -- to make
 17 certain that their role was not improperly
 18 interpreted.
 19 THE WITNESS: Any further questions,
 20 Mr. Kelly?
 21 MR. KELLY: No, I have no further
 22 questions.
 23 THE WITNESS: Thank you very much.
 24 MR. TRAUB: I have just a few

62 (Pages 242 to 245)

246

1 John Edmonds
 2 follow-up.
 3 EXAMINATION (Cont'd.)
 4 BY MR. TRAUB:
 5 Q. Mr. Edmonds, you are an attorney; is
 6 that correct?
 7 A. That's correct.
 8 Q. And you are a member of the state
 9 bar of New York?
 10 A. Yes, for 52 years.
 11 Q. For 52 years as an attorney, and I
 12 presume for equally as much time, if not more, as
 13 a sophisticated businessman as well --
 14 A. I don't know whether I'm
 15 sophisticated or not. And the reason I don't
 16 know that is that a sophisticated businessman
 17 wouldn't have allowed his partners to get the
 18 kind of advantage that the Seaveys had in this
 19 situation.
 20 Q. Then as a businessman, before you
 21 sign a contract, and especially as an attorney,
 22 you review that contract, do you not?
 23 A. Yes, of course.
 24 Q. And you read every term in that
 25 contract and you probably even negotiate

247

1 John Edmonds
 2 contracts that you sign before you sign them?
 3 A. Yeah, particularly for clients, but
 4 I don't do it necessarily with that kind of
 5 approach as it relates to partners, people who
 6 are in business with me.
 7 Q. But you are capable of doing that
 8 type of approach, are you not?
 9 A. Yes.
 10 MR. TRAUB: Nothing further.
 11 EXAMINATION
 12 BY MR. HAYWOOD:
 13 Q. You mentioned the redemption of your
 14 interest in the partnership paid in 2001 and that
 15 you gave --
 16 A. No, I think -- I think -- was it
 17 2001? Whatever the check -- the date -- I think
 18 maybe it was 2001.
 19 Q. September 2001, would that refresh
 20 your recollection?
 21 I'll withdraw the question. That's
 22 not important.
 23 How much money did you pay to redeem
 24 your interest in the corporation?
 25 A. I paid --

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1 John Edmonds
 2 MR. TRAUB: Objection to the form.
 3 I don't think that --
 4 MR. KELLY: No talking objections.
 5 MR. TRAUB: I just object to form in
 6 terms -- objection to the use of the term
 7 "for redeeming your partnership interest."
 8 A. Well, the -- did I pay -- how much I
 9 paid, I think it was \$2.1 million. I'm not sure.
 10 2.1 -- no, wait a minute. Was it -- no. Yeah,
 11 it was 2.1, but that included interest at the
 12 rate of 16 percent annually. I paid that -- I
 13 put that money back in the account that Seavey
 14 instructed me to put it in.
 15 Q. Was any further discussion held on
 16 the subject after you paid that money?
 17 A. No, I just told Bob that I was
 18 redeeming my interest, although it was a year
 19 late, by repaying the obligation.
 20 Q. And in whose name was the account to
 21 which you returned that money?
 22 A. It was in the Morgan Chase account.
 23 Q. Were you a signatory on that
 24 account?
 25 A. Yes, I was.

249

1 John Edmonds
 2 Q. Was anyone else a signatory along
 3 with you on that account?
 4 A. Seavey and -- as I read it, I
 5 realized that Avery, Dalton Management and
 6 Neale, everybody was on the account.
 7 MR. HAYWOOD: All right. Nothing
 8 further.
 9 (Examination concluded. The time is
 10 4:55 p.m.)

63 (Pages 246 to 249)

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1	1
2 STATE OF NEW YORK)	2 (Continued)
3 ss:	3 EXHIBITS
4 COUNTY OF WESTCHESTER)	4
5	5 Exhibit 7 6/22/07 Letter to variety of 152
6	6 people from John Edmonds with
7	7 attachments
8 I, JOHN EDWARDS, the witness herein,	8 Exhibit 8 10/26/06 Letter from the IRS to 155
9 having read the foregoing testimony of the pages	9 Jennings with attachment
10 of this deposition, do hereby certify it to be a	10 Exhibit 9 Agreement for Purchase and Sale 168
11 true and correct transcript, subject to the	11 of Partnership Interest
12 correction, if any, shown on the attached page.	12 Exhibit 10 Second Amended Agreement of 168
13	13 limited partnership of Fifth and
14	14 106th Street Associates, L.P.
15	15 Exhibit 11 Amended and Restated Certificate 174
16	16 of Limited Partnership of Charles
17	17 H. Housing Associates
18	18
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1
2 STATE OF NEW YORK)
3 SS:
4 COUNTY OF NEW YORK)
5

6 I, Eileen Mulvenna, Notary Public
7 within and for the State of New York, do hereby
8 certify:
9

10 That I reported the proceedings in
11 the within entitled matter, and that the within
12 transcript is a true record of said proceedings.
13

14 I further certify that I am not
15 related to any of the parties to the action by
16 blood or marriage, and that I am in no way
17 interested in the outcome of this matter.
18

19 IN WITNESS WHEREOF, I have hereunto
20 set my hand this 28th day of April, 2009.
21

22
23 _____
24 Eileen Mulvenna, CSR/RMR
25

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